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# THE JERUSALEM POST

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## Terrorists hold missing airman

**By HIRSH GOODMAN**  
 Post Defence Correspondent  
 The Israeli airman missing in Lebanon since last Thursday is alive and being held by terrorists, OC Air Force Aluf Amos Lapidot said yesterday.  
 He did not identify the terror organization holding the airman.  
 Speaking to military correspondents in Tel Aviv, Lapidot said there was a danger of the airman's being turned over to Syria "given the extensive contacts that the Palestinian and Lebanese organizations have with the Syrians."  
 Israel TV said last night that according to an unconfirmed report in the East Beirut paper *Le Reveil*, an Amal commander had personally handed over the captured airman to Syrian intelligence officers.  
 The airman has been missing since Thursday afternoon, when his Phantom jet went down during a bombing raid on Fatah positions four kilometres south of Sidon in southern Lebanon. The plane's second crewman was rescued by an Air Force helicopter 90 minutes after the crash and brought back to Israel.  
 Lapidot said yesterday that a technical failure was almost certainly the cause of the Phantom crash.  
 From the available evidence, including the report of the rescued crewman, it appeared most likely that one of the bombs carried by the

plane had exploded directly under the aircraft when released, Lapidot said.  
 Lapidot said bomb fuses had been known to malfunction and detonate before hitting the ground. Such malfunctioning had claimed the life of one IAF pilot and had occurred 10 times in the U.S. Air Force, he said.  
 "By putting together what we know and what we can eliminate, the plane was not hit by a missile, but crashed due to a technical malfunction," he said.  
 Reports from Lebanon after the crash said the Phantom had been hit by a shoulder-held Sam-7 missile. But military sources quickly discounted this theory, citing the Phantom's proven ability to deflect such missiles.  
 Lapidot said the missing airman had landed some 200 metres from his fellow airman who was rescued, and about 1.5 kilometres south of the attack zone.  
 The rescued airman had seen his comrades eject, parachute and land, but had lost contact with him immediately after landing. The hilly and overgrown terrain and the airman's preoccupation with hiding himself explained this, the OC Air Force said.  
 Lapidot vigorously defended using the Air Force to respond to terror. He said this was the "quick" (Continued on back page)



A young member of the Tzabar fitness association practises his rappelling skills while going down the side of the Shalom Tower yesterday in Tel Aviv.

## Government to be sworn in today

**By SARAH HONIG**  
 TEL AVIV - Israel's 22nd government will be sworn into office this morning under the Likud's Yitzhak Shamir. It will be nearly identical in makeup to the outgoing 21st government, under Labour's Shimon Peres.  
 The Knesset is due to convene at 10.00 a.m. in special session to hear and debate Shamir's programmatic address. Following the general debate the 25-member cabinet will be submitted for a House vote of confidence.  
 It is expected to win overwhelming support, with only a handful of Labour MKs abstaining or absenting themselves. Another coalition member who will withhold support will be Shimon's Mordechai Virshupski.

The Shamir cabinet is also to hold its first session today, gathering briefly to re-elect deputy ministers and ministerial committees.  
 At 7.00 p.m. the cabinet will arrive at Beit Hanassi for the traditional photo session with the President. An hour later Shamir will make his first public appearance as prime minister, delivering a speech in Jerusalem at the Ben-Gurion centenary.  
 At the Foreign Ministry and the Prime Minister's Office teams of aides are hecticly completing the practical preparations for the move.  
 Shamir's aide Yossi Ben-Aharon, the incoming director-general of the Prime Minister's Office, spent much of yesterday at his new office where he was thoroughly briefed. At the

Foreign Ministry, outgoing cabinet secretary Yossi Beilin came to be briefed, while other Peres aides went through the Foreign Ministry with office maps, assigning rooms to incoming staffers. Shamir's men did the same at the Prime Minister's Office.  
 Shamir and Peres made their final joint pre-rotation public appearance last night at the *Temaniyada* - a gathering of Israelis of Yemenite origin held in Rehovot last night.  
 The Shamir cabinet will not be totally identical with the Peres cabinet. Liberal leader Yitzhak Moda'i will re-appear, though minus a portfolio; Health Minister Gur will leave and be replaced by Shoshana Arbeli-Almosino.

## Shamir blueprint for 'Zionist economics'

**By AVI TEMKIN**  
 Post Economic Reporter  
 In his Knesset speech today as prime minister, Yitzhak Shamir will stress the need to maintain a standard of living that will attract immigration and deter emigration. As part of this "blueprint for Zionist economics," as his speech has been dubbed, Shamir will call for a reduction in income tax rates.

According to Likud sources, economic issues will form an important part of Shamir's address, which will touch on economic stability, reducing government intervention and boosting economic growth. "He will not elaborate on each of these points but each of his statements can be regarded as a clear commitment," sources close to Shamir said yesterday.

The sources said that Shamir will make the following points in his speech:  
 □ The government will make a sustained effort to further lower the rate of inflation. It will not hesitate to lower duties on imports if domestic firms use their monopoly to raise prices unjustifiably.  
 □ Israel can attract immigration (Continued on back page)

## 'Islamic Jihad members'

# 3 held for attack at Dung Gate

**By YORAM GAZIT**  
 For The Jerusalem Post  
 Three Palestinians claiming to belong to the fundamentalist Islamic Jihad have been arrested on suspicion of carrying out last Wednesday's grenade attack on soldiers and their families in the Old City. Prime Minister Peres announced last night.  
 Peres's statement on Israel Television came at about the same time as a police communique revealing the arrests, which were made on Thursday and Friday.

On his last day as premier, Peres praised the security forces and the police for their "very speedy actions and achievement" in capturing the suspects.  
 Two of the suspects, from the Arab neighbourhood of Silwan in the capital, were arrested on Thursday. The third, from the Abu Tor neighbourhood, was arrested on Friday morning. All three are in their early 20s.  
 The suspects were brought before the Jerusalem Magistrates' Court on Friday and remanded into custody for seven days. The court banned publication of their names and any identifying details.  
 In the attack at Dung Gate last Wednesday night one man was killed and 69 people were wounded. Three Soviet-made grenades were tossed at soldiers and their families after a Givati Brigade swearing-in ceremony at the Western Wall.  
 Peres said the suspects had been recruited in Jordan by Fatah in December 1985. They had then been trained in Jordan, before King Hussein had closed Fatah's operational offices in Amman, the premier said.  
 Peres said weapons and ammunition had been found in the suspects' possession.  
 The police and security forces are now investigating whether the three were involved in other attacks.  
 Twenty-five victims of the terror attack were still in Jerusalem hospitals last night, after five were released from Bikur Holim Hospital during the day.  
 One of the wounded, Victor Yehzekel, remained in serious condition at Hadassah Hospital in Ein Kerem. Yehzekel was injured in the head by shrapnel and has since remained unconscious.

## Arab worker stabbed in Ashdod

**By YORAM GAZIT**  
 For The Jerusalem Post  
 ASHDOD - An Arab municipal worker, Balusa Halil Ben-Husef, 50, from Jabalya in the Gaza Strip, was stabbed yesterday morning by an unidentified assailant. Taken to Kaplan Hospital in Rehovot, he was later said to be in fair condition.  
 A witness to the attack told *The Jerusalem Post* yesterday that he had suddenly seen Ben-Yusef running with a knife in his back. "He pulled the knife out of his back, ran another 150 metres, and then collapsed on

the corner of Uzviyahu and Hapal-mach streets," Mordechai Simhi told *The Jerusalem Post*.  
 Lachish police detained a number of Gaza Strip residents for questioning, a police spokesman said. All except one had been released by last night.  
 The police are considering all possibilities, including the one that an Israeli citizen had sought revenge for the recent murders of Israelis in the Gaza Strip.  
 Simhi, who lives opposite the site (Continued on back page)



Chief U.S. arms negotiator Max Kampelman meets with incoming Prime Minister Yitzhak Shamir in Jerusalem yesterday.

## 'New list' to be handed to Moscow

**By BENNY MORRIS**  
 Post Diplomatic Correspondent  
 The U.S. used the Reykjavik summit to present the Soviets with "a significant list" of Soviet Jews whom Washington wants the Russians to release from prison or allow to emigrate. Ambassador Max Kampelman, the chief American negotiator at the Geneva arms talks, said here yesterday.  
 Kampelman, on a one-day visit to brief the country's leaders on the outcome of the Reagan-Gorbachev meeting at Reykjavik and on the arms talks, added that "a larger list" was about to be turned over to the Soviets by the U.S. ambassador to Moscow.  
 But at a press conference in Jerusalem, he declined to go into any detail about the content of the Reagan-Gorbachev conversations on the Soviet Jewry issue.  
 What he did say was that it was "interesting" that the subject was now accepted and "recognized" by the Soviets as "a bona fide" agenda issue. That, he said, was "a fruitful development."  
 Kampelman indicated that the problem of Israeli-Soviet tensions

had also been raised at Reykjavik, and described these tensions as "a continuing agenda item" in U.S.-Soviet talks at all levels.  
 Kampelman arrived here on Saturday from Ankara, after visits to Athens, Bonn, Geneva and Reykjavik, and hopes to resume arms reduction talks with the Soviets in Geneva within days. He was due to return to Geneva last night.  
 Kampelman said that the American decision to send him here had been taken "before Reykjavik" as part of a general U.S. policy "to keep our allies and friends informed" on major issues and developments. He said that there was "intense" Israeli government interest in the arms control negotiations, as in the state of U.S.-Soviet relations in general.  
 Kampelman told newsmen that he intended to inform Israel's leaders that "the U.S. is committed to the objective that Jews and non-Jews in the Soviet Union who desire to leave... (will be allowed) to leave."  
 The U.S. has recently had "extensive conversations" on this theme with the Soviet Union, Kampelman said. The U.S. was interested in the

matter for "humanitarian reasons" and as a measure of Soviet willingness to abide by agreements it entered into with the U.S. He said that the U.S. "would not be pleased" if the Soviets changed their stance on Soviet Jewry but failed to change their policy on the abuse of the rights of non-Jews.  
 Kampelman defined Soviet human rights abuses, including the ban on Soviet Jewish emigration, as "a major irritant" in U.S.-Soviet relations. If that obstacle were not removed, he said, there could be no "normalization" in those relations.  
 However, Kampelman clearly divorced progress on the human rights issue from the process of arms reduction negotiations. There was no "linkage" between these two spheres, he said, repeatedly, and the subject was not "a barrier" to an arms control agreement. But to the extent that the Soviets failed to comply with past agreements, the human rights violations raised questions regarding confidence in Soviet compliance with the provisions of future arms control agreements, he added.  
 Kampelman said that the U.S. "has not been enthusiastic" about Soviet participation in an international conference on Middle East peace. He added, however, that if the Soviets restored relations with Israel, it could increase American readiness to accede to Soviet demands for such participation.

## Newsweek: Mossad abducts Vanunu

**By WOLF BLITZER**  
 Jerusalem Post Correspondent  
 WASHINGTON - Mordechai Vanunu, the former Israeli nuclear technician at the Dimona reactor who leaked information on Israel's nuclear programme to the London *Sunday Times*, was yesterday reported to have been arrested by Mossad agents and to be awaiting a secret trial in Israel.  
 Newsweek magazine's latest edition says Mossad agents organized a "sophisticated land and sea operation" to capture Vanunu, who had been fired from his job at the Dimona reactor.  
 Vanunu had received security clearances to work at the plant despite his well-known pro-Palestinian views - a development described by the magazine as a major Israeli security lapse.  
 After being fired from his job, he went to Australia where he began to provide details of Israel's nuclear programme to the *Sunday Times*. He was later brought to London by the newspaper for additional questioning.  
 According to Newsweek, the Mossad "got wind" of his whereabouts and arranged to have "a woman friend" lure him on a trip through Europe. On the Mediterranean, he was persuaded to board a private yacht and "once in international waters, was arrested by the crew of Mossad agents and returned to Israel."  
 The magazine said he faces a "closed-door trial" for espionage and possibly treason which would carry a life sentence.  
 Still, Newsweek magazine quoted "sources in Europe and the Middle East" who suspect that the leak was orchestrated by the Mossad as a warning to Islamic nations, particularly Syria and Iran, that Israel's long-suspected nuclear capabilities are real.  
 In that case, Newsweek added, the case against Vanunu could be quietly dropped.

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## EIGHT PAGES FROM SUNDAY'S

# The New York Times

WEEKLY REVIEW INSIDE TODAY

Kampelman yesterday met Defence Minister Rabin (for breakfast), Jerusalem mayor Teddy Kollek, Prime Minister Peres, President (Continued on back page)



## The weather at major Swissair destinations

	19.10.86	MIN.	MAX.	
AMSTERDAM	8	13	15	Cloudy
BRUSSELS	9	15	19	Cloudy
BUENOS AIRES	7	15	24	Clear
CHICAGO	1	15	20	Clear
COPENHAGEN	8	16	20	Clear
FRANKFURT	11	15	16	Clear
GENEVE	11	15	16	Clear
Helsinki	7	15	20	Clear
HONGKONG	24	25	29	Cloudy
JAKARTA	13	15	20	Clear
LONDON	10	16	20	Cloudy
MADRID	10	16	20	Cloudy
MONTREAL	1	15	20	Clear
NEW YORK	8	16	20	Clear
PARIS	11	15	16	Clear
RIO DE JANEIRO	17	23	28	Clear
SAO PAULO	18	23	28	Clear
STOCKHOLM	10	16	20	Clear
TOKYO	14	16	20	Clear
TORONTO	8	16	20	Clear
VIENNA	9	15	19	Clear
ZURICH	9	15	19	Clear

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## THE WEATHER

Forecast: Partly cloudy.

	Yesterday's Humidity	Yesterday's Min-Max	Today's Min-Max
Jerusalem	58	14-22	13-23
Golan	65	15-22	14-23
Nahariya	58	14-22	13-23
Safed	71	14-19	12-22
Haifa Port	50	17-29	30
Tiberias	50	17-29	30
Nazareth	50	17-29	30
Afula	60	15-27	14-28
Shimonon	60	15-27	14-28
Tel Aviv	58	19-25	17-27
B-G Airport	63	17-26	17
Jericho	52	18-30	18-30
Gaza	52	19-26	19-27
Beersheba	47	14-27	14-29
Eilat	33	20-31	33

## SOCIAL & PERSONAL

**Aluf-Mishne (res.)** Gershon Rivlin and Elhanan Oren were yesterday awarded the Nehemia Argov prize for their edition of Ben-Gurion's war diaries. Argov was Ben-Gurion's military aide for many years.

**Yehuda Eren (Erenkrantz)** who is well-known for his recitations, was fêted on Saturday by the Israeli Actors' Union to mark his 80th birthday.

## Hit-and-run driver kills soldier

**AFULA (Itim).** - A soldier was killed and a woman soldier suffered serious head injuries yesterday in a hit-and-run road accident next to the Amos army camp near here.

The two were crossing the Afula-Megiddo road outside the camp when they were hit by a large Volkswagen van whose license number began with the digits 85.

The police request anyone who saw the accident to contact the nearest police station immediately.

Names of the victims had not been released last night.

## Peres lauds airman's rescue

Prime Minister Shimon Peres yesterday lauded the Israel Air Force rescue of an airman downed over Lebanon as the "most brilliant and courageous act imaginable in the given situation."

Peres was speaking at the cabinet meeting which, earlier, sitting as the ministerial defence committee, had heard Defence Minister Rabin survey last Wednesday's grenade attack on Givati Brigade recruits and their parents outside Dung Gate, and the IAF action in Lebanon the next day.

Yesterday's was Peres's last cabinet meeting as prime minister. He thanked the ministers for their cooperation and promised to help his successor, Yitzhak Shamir, to the best of his ability.

## Fist fight ends world peace meet

**COPENHAGEN (AFP).** - The World Peace Congress ended in a 40-minute fist fight here yesterday.

About 40 demonstrators, many of them Afghan refugees living in Europe, traded blows with security staff. The demonstrators were finally ejected by police amid total uproar in which shouts and screams mingled with chants of "We shall overcome."

The congress, which attracted 2,500 delegates from 136 countries, opened on October 15 with the election of five Ukrainians who infiltrated the conference and shouted "Congress of the KGB."

Afghanistan was one of the most controversial issues at the congress.

## HOME AND FOREIGN NEWS

# Arens content - no change in status

By SARAH HONIG and ROY ISACOWITZ  
Post Political Reporters

**TEL AVIV.** - Relations between Yitzhak Shamir and Moshe Arens are back to normal, although Arens was briefly miffed by the compromise agreement on rotation, report reliable Herut sources. Arens feared the pact would prevent him from dealing with the subject of Soviet Jewry.

Arens was absent from yesterday's cabinet session, but this is said not to be connected to the rotation problems. He joined Shamir later yesterday in a meeting with American emissary Max Kampelman, sent to Israel by President Reagan to report on the summit in Reykjavik.

Shamir is said to have satisfied Arens that there will be no change in his status. The problem arose from a clause in the agreement between the parties which stipulates that any transfer of responsibility to a minister or deputy minister will be subject to approval by both Peres and Shamir. Arens took this to mean that Labour would be able to prevent him from being put in charge of the special liaison section on Soviet Jewry in the Prime

Minister's Office. Shamir explained to Arens that no one can keep him from assigning special duties to his ministers. So Arens will *de facto* be in charge of the Soviet Jewry unit, though formal ministerial responsibility will remain with Shamir.

Labour opposes this interpretation of the agreement.

Arens will also be in charge of Arab affairs in place of Ezer Weizman.

Soviet Jewry groups have been among the most ardent campaigners on Arens's behalf. Some had clamoured for his appointment long before rotation, and even petitioned Peres to give Arens the job when he became premier.

On the other side of the coalition, the Labour Party Knesset caucus and political bureau is to meet before this morning's Knesset session to approve the nomination of MK Shoshana Arbeli-Almosino as health minister.

Currently deputy health minister, she is expected to be approved as minister without opposition. Caucus chairman Rafi Edri, who had been

mentioned as a possible candidate for the post, said last week that he would not put forward his candidacy.

Arbeli-Almosino will replace outgoing Health Minister Gur, who has decided not to serve under Shamir.

Labour has decided to enforce caucus discipline in the confidence vote on the new government. But at least one MK, Haim Ramon, has said that he will abstain in the vote.

MK Aharon Harel, who also said last week that he would not vote confidence in the government, is abroad.

A handful of other MKs, among them Gur, Abdel Wahad Daroushe, Ora Namir and Menachem Hacohen, have indicated that they may abstain or absent themselves from the chamber when the vote is called.

MK Nava Arad is the leading candidate to fill Labour's deputy minister slot after Arbeli-Almosino enters the cabinet.

She is scheduled to become deputy education minister. Other possible contenders for the post are MKs Aharon Nahmias and Simha Dinitz.

## A-G disapproves Peres's plan for Foreign Ministry

By MENACHEM SHALEV  
Jerusalem Post Reporter

Attorney-General Yosef Harish does not approve of Shimon Peres's blueprint for the distribution of authority in the Foreign Ministry.

Harish has already expressed opposition to Ezer Weizman as "a minister in the Foreign Ministry." Nor does he approve of the intention to change the law to permit Yossi Beilin to become deputy foreign minister without his being a Knesset

member. According to Harish, Peres may allow Weizman to have an office in the Foreign Ministry, but he may delegate him neither authority over, nor responsibility for, Foreign Ministry functions. "There is one minister for each ministry, no more," Harish has told Peres's advisers.

Changing the Basic Law: The Government to permit Beilin to become a deputy foreign minister would be

"technically" legal if it were supported by over 60 MKs. But Harish believes that it would be unconscionable to change the constitutional and administrative framework of the government merely to solve a personal problem.

The Peres aides arranging the details of the rotation had recognized the legal impossibility of making Beilin a deputy minister and had contemplated creating a position of

## Refuseniks' release not part of U.S.-Soviet accord - Shultz

By WOLF BLITZER  
Jerusalem Post Correspondent

**WASHINGTON.** - The Soviet Union's recent release of David Goldfarb and two other Soviet Jewish refuseniks was not part of any formal U.S.-Soviet agreement, Secretary of State George Shultz said yesterday.

"We didn't have any precise agreement, although many names of individuals were talked about as well as, of course, the great masses of people, the hundreds of thousands, who would like to emigrate," Shultz said. "So all of that was discussed, even though there was no agreement on either of those cases."

The secretary, interviewed on NBC's *Meet the Press*, said that Soviet leader Gorbachev was certainly aware of the likelihood of huge anti-Soviet demonstrations being planned to coincide with any visit by the Soviet leader to the U.S.

"Of course, we will welcome him here to the United States and he'll be treated with the respect and dignity that he deserves. But there won't be the kind of warmth out there in the American public that we'd like to see because of the human rights problem."

Shultz, in response to another question, lashed out at the Soviet Union's disregard for human rights.

## Talks in Cairo on Ras Burka compensation

By MENACHEM SHALEV  
Jerusalem Post Reporter

Former attorney-general Yitzhak Zamir and Justice Ministry director-general Meir Gabai left yesterday for Egypt for talks with Egyptian officials on compensation for the families of those massacred last Sunday at Ras Burka.

A year ago, on October 5, seven Israelis were murdered by Egyptian sergeant Suleiman Khater atop a hill at Ras Burka on the Sinai coast. Last month Egypt agreed in principle to an out-of-court settlement, acknowledged its responsibility for the massacre, and consented to monetary compensation.

The Foreign Ministry has been pressing the Egyptians for several weeks to start the compensation talks. Both the Israel Embassy in Cairo and the Egyptian Embassy in Tel Aviv were involved in the contacts.

Zamir, representing the families of the victims, and Gabai will hold talks with a team of Egyptian officials headed by Egypt's deputy justice minister. They are expected to return today.

Meanwhile, the chilling effects that the massacre has on Israeli tourism to Egypt seems to have dissipated. Over 100 buses carrying about 4,000 tourists crossed into Egypt yesterday. Tour operators said that most of the travellers were Israelis who planned to spend the Succot holiday in Egypt.

The official, who was speaking at a Palestinian refugee camp in the south, refused to be named.

The Abu Nidal faction was among four groups which claimed responsibility for Wednesday's grenade attack in Jerusalem, which was followed by an Israeli air strike against Palestinian targets near Sidon on Thursday.

Bracing for further Israeli retaliation, scores of Amal and Palestinian fighters were on maximum alert behind truck-mounted anti-aircraft guns along the 37 kilometre coastal road from Sidon to Tyre and on hillsides surrounding Sidon, witnesses said.

Amal fighters also exchanged heavy machinegun fire on Saturday night with three Israeli gunboats which tried to approach the Tyre coast.

## Gur hospitalized

By JUDY SIEGEL  
Jerusalem Post Reporter

Outgoing Health Minister Mordechai Gur yesterday had a growth removed from his thymus gland in a non-scheduled operation in the Sheba Hospital at Tel Hashomer.

Gur had been due to take a private vacation in West Germany, but had cancelled the visit at the request of Prime Minister Peres, to be available for the last minute rotation negotiations. He then decided to have a routine check-up at Sheba, when the growth was discovered.

The growth was discovered.

## Peres will focus on Negev, Soviet Jews, peace, defence

By BENNY MORRIS  
Post Diplomatic Correspondent

Prime Minister Peres, in a farewell meeting with diplomatic correspondents yesterday, said he intended to devote his energies in the coming years to four main spheres - the development of the Negev, Soviet Jewry, the reactivation of the peace process and increasing the defence budget.

Peres, generally satisfied with the achievements of his two years as premier, predicted that Yitzhak Shamir's first major challenge as premier would be to push through a large cut in the state budget.

Peres said that large-scale development of the Negev during the past two years had been impossible because of other, objective priorities. Nonetheless, he said, Eilat was now prosperous whereas two years ago "it was almost dead," and a number of major industrial plants had been set up in the area.

Peres, who chairs the newly-established ministerial committee on the Negev, said that he intends to raise funds for Negev development from world Jewry, in part during a forthcoming visit to the U.S.

For the record, Peres was reserved, but hopeful, on the issues of Soviet Jewry and starting up negotiations with Jordan. "It would be catastrophic were the peace process to stop," he said.

Peres criticized the media's performance during the past two years on three counts - they hadn't given the government sufficient credit and leeway at the start of the economic programme; there had been too many articles saying that Peres was mainly concerned about his image rather than solving problems; and their treatment of the fundamental problems surrounding the initiation of Israeli-Jordanian talks had been shallow and inadequate.

## Peres, Shamir dance at Yemenite festival

By MICHAEL YUDELMAN  
Jerusalem Post Reporter

**REHOVOT.** - Shimon Peres and Yitzhak Shamir danced like Yemenites last night, ate *malawah* (a Yemenite pancake), and heaped such a profusion of compliments on the Yemenite community that it was hard to believe they were not Yemenites themselves.

The outgoing and incoming prime ministers were making their last pre-rotation public appearance at the opening of the five-day *Tamariyada*. Although both seemed surprised to see each other at the Yemenite gathering - at which each had planned to make his last lasting impression in their present positions - they accepted each others presence gracefully and sat side by side on the stage, when not dancing and eating together.

Peres had good news to impart as he announced the capture of the three terrorists believed responsible for the grenade attack on the soldiers in Jerusalem.

"Both Shamir and I are very proud that we have a security service

and police who, in two days, caught those who threw the grenades near the Western Wall. We have caught them and they're in our custody," he said to the applause of the crowd.

Recalling Ben-Gurion's wish to see a Yemenite head the Israel Defence Forces, Peres presented Aluf David Matmon, who was with him on the stage, as "nearly chief of general staff." Peres then recounted the story of how Matmon's father had walked from Yemen to Israel in 1906.

Shamir recalled that when he had been in the underground, "fighting for Israel's freedom," it had been members of the Yemenite community in the Haikva Quarter and the Yemenite Quarter who had hidden him from the British. Later, the Yemenite community in Djibouti had hidden him when he had escaped from internment in East Africa.

Earlier in the evening, Peres and Shamir strolled, separately, each surrounded by escorts, security men and aides, among the Yemenite stalls and spoke to the crowds of people. Peres chewed *qat*, the narcotic tobacco-like leaves that the Yemenite elders chew, but refused a pipe of what seemed suspiciously like hashish.

## Arrau won't perform

Pianist Claudio Arrau has had to cancel his scheduled appearances with the Israel Philharmonic Orchestra in Haifa tonight and in Tel Aviv on Saturday night, the IPO has announced.

Arrau is unable to perform because of his wife's illness and impending surgery, the IPO said.

Israeli violinist Shlomo Mintz is to perform in Arrau's stead.

## Ashkelon riot holds up Egoz reburial

**ASHKELOH (Itim).** - The reinterment of the remains of the 22 illegal emigrants from Morocco, who sank aboard the Egoz in 1961, is being held up by Moroccan authorities because of the violence surrounding the naming of a town square here after the late King Mohammed V.

The Moroccan authorities agreed to the reinterment following the Irfane summit between outgoing Prime Minister Peres and King Hassan. The matter was subsequently dealt with by Beyahad, an organization aimed at promoting ethnic harmony.

At a recent meeting of the city council, Mayor Eli Dayan voiced the fear that the protests against naming the square after the Moroccan king might cause the Moroccan authorities to change their minds.

The Egoz, carrying 43 illegal emigrants, sank on January 10, 1961, en route from Morocco to Gibraltar.



The funeral of Nabulus dignitary Nashaat al-Masri drew thousands into the city's streets yesterday, including West Bank personalities and a delegation of relatives from Jordan. But Al-Masri's son, Jordanian Foreign Minister Taher al-Masri was not there. Nashaat al-Masri, a half-brother of former Nabulus mayor Zafer al-Masri, who was assassinated in March, died on Friday of a stroke at the age of 69. He had been paralyzed and bedridden for about 10 years. (Brutmann/Media)

## 'Confrontation' status for four Arab villages

By DAVID RUDGE  
Jerusalem Post Reporter

**ROSH HANIKRA.** - The cabinet yesterday agreed to grant "confrontation line" status to four Arab villages near the Lebanese border.

The four are the Christian villages of Jish (Gush Halav), Fassuta and Mi'itya and the Beduin village of Aramsha.

The villages, with a total population of 10,000, will be entitled to the same privileges given to Jewish and Druse front-line towns and villages. One of the main benefits is a 10 per cent reduction in income tax for working residents.

Representatives of Fassuta applied several months ago for the special status, charging that shells and katyusha rockets did not discriminate between settlements.

Many young men from the Beduin village serve in the IDF and a number of residents from the other settlements have volunteered for military duty.

They petitioned the High Court of Justice after the Finance Ministry turned them down on the grounds that the settlements were not integrated into the area's security arrangements and were not considered likely targets for terrorist attacks.

At the same time the case was taken up by Minister-without-Portfolio Ezer Weizman who put their case at yesterday's cabinet meeting. The government's approval means the court case will now be dropped.

A source in the office of Yosef Gimat, Weizman's adviser on Arab affairs, noted that these were the first Arab settlements to be granted such a status, but added they would be the last, since no others met the criteria.

The conversion of the offence into an administrative one, will not deny either the prosecution or the offender the right to apply to the courts. But offenders who pay their fines on time will not be regarded as having a criminal conviction, and will not be so recorded in police records.

The director of state revenues estimates that the regulations will considerably reduce the number of pending court cases and permit tax evasion to be dealt with swiftly.

The regulations are to be implemented gradually, some within a few months and some during 1987. (Itim)

## 'Faithful' visit the Temple Mount

Protected by 300 policemen and border police under the watchful eye of the *wakf* (Muslim religious trust), some 50 members of the Faithful of the Temple Mount made a short visit yesterday to the holy site of Jerusalem.

Under an agreement worked out between the police, the Muslim Council and the Temple Mount Faithful, groups of seven members at a time were allowed to tour the compound where the temples stood. Each group spent about 15 minutes inside the area. The entire process took about three hours.

Although there was no violence, crowds of angry Arab youths gathered at the gates to the compound and groups of them followed the visitors around inside. There was a tense moment when Rabbi Yisrael Ariel prostrated himself as he entered the compound, apparently in contradiction to the ground rules agreed for the tour.

The head of the Temple Mount Faithful, Gershon Solomon, said: "Our aim was to observe the *mitzva* (precept) of pilgrimage" to the Temple Mount. "But beyond this, by our presence we have come to say that we are here and no one in the world can move us." (Itim)

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has passed away suddenly.

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Rosemary, Rachelle  
Grandchild - Dean

The funeral will take place tomorrow,  
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the Ramat Hasharon cemetery (Morasha Junction).

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## JEFFREY PARADISE

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October 19, 1986

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CARMEL DINOVIITZ AND THEIR FAMILIES

we share your grief on the death  
of your dear mother

## MIRIAM DINOVIITZ

Shlomo Lahat  
Chairman of the Board  
The Tel Aviv Foundation

With deep sorrow we mourn the sudden passing  
of our beloved father, grandfather and brother

## MARK DEROVAN

of Los Angeles, California.

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Please call 02-765187 on Monday afternoon to verify time of burial.  
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Atzeret-Simhat Torah.

The Derovan, Dvir and Globe families

סמינר אל-אח



# U.S.-Soviet test ban agreement seen likely within next few months

MOSCOW (Reuters). — The U.S. and the Soviet Union could sign an agreement on monitoring nuclear tests within the next few months, U.S. embassy officials in Moscow said yesterday.

"Some progress was made on this question in Reykjavik and I get the feeling this issue could break in the next few months," one official told Reuters.

A unilateral moratorium on nuclear tests has been in force in the Soviet Union for 14 months. Washington has continued testing, citing problems of verification and saying testing is necessary to maintain the efficiency of its nuclear deterrent.

Embassy officials in Moscow said the most likely way of reaching agreement would be for both sides to make concessions and meet each other half way. This could involve, for example, carrying out a limited number of tests that would be verified.

U.S. diplomats said they could not confirm reports that Soviet and U.S. scientists had signed an agreement to install a communications system that would enable them to monitor a nuclear test ban. They said such an agreement would be unlikely to have any effect on Moscow's and Washington's negotiations because it was prob-

ably an agreement between private groups.

Press reports from East Germany said the agreement involved putting into operation a new satellite that could transmit data about shock waves caused by underground nuclear explosions from the Soviet test site near Semipalatinsk in Central Asia.

Meanwhile, analysts in Washington say that despite the Reagan administration's expectations that its "Star Wars" defence plan would gain the backing of a powerful coalition of U.S. allies and giant defence contractors, the Iceland summit outcome has not guaranteed the plan's future growth.

At Reykjavik, Reagan rejected an offer of deep cuts in U.S. and Soviet nuclear arsenals in exchange for restrictions on his Strategic Defence Initiative (SDI), better known as "Star Wars."

But Reagan's insistence on proceeding with Star Wars has not altered the political reality that every federal programme is being weighed by Congress against a backdrop of record federal deficits and extremely tight budgeting.

In a reflection of the current deficit-cutting mentality on Capitol Hill, Congress this year

pared funding for SDI to \$3.5 billion from the \$5.3b. dollars the administration sought.

Estimates for actually putting a full-scale anti-missile shield in place range from \$30b. to several trillion dollars and could easily alter the political equation.

One of the difficulties with the system has been that, to date, no one has decided precisely what the system will be.

Analysts say Reagan's refusal to restrict the Star Wars plan at Reykjavik was likely to erode its political base in Congress and could lead to further funding cuts.

"If there's no change in U.S.-Soviet relations between now and the new Congress, the coalition now supporting SDI will start breaking apart," Cos Dimaggio, a defence analyst with the congressional research service, told Reuters.

At the same time, Moscow has indicated to the Reagan administration since the Reykjavik talks that it is willing to allow some "Star Wars" tests outside the laboratory. U.S. officials who declined to be named were yesterday cited by the New York Times as saying that the Kremlin's position on the SDI had become more flexible since the talks. (Reuters, AFP).



Two captive Philippine soldiers, Sgt. Domingo Cansapin (left) and Lt. Romeo Gan, are released from their chains before they are turned over to government negotiators near Manila 26 days after being captured by Communist rebels. (AFP telephoto)

## Soweto mob hacks to death moderate black activist

JOHANNESBURG. — A black woman widely known for her anti-apartheid activism and opposition to violence was hacked to death at the weekend in the black town of Soweto near here, her family confirmed yesterday.

Masabata Loate, 28, was clubbed, stabbed and slashed late Friday as she fought long and desperately against a mob of at least 20 young black men armed with clubs, knives, axes and machetes, her mother, Maria Loate, said.

She added that her daughter's murderers may have been motivated by her belief in orderly resistance to apartheid, and her stated abhorrence of the "necklace" method of executing blacks suspected of collaborating with white authorities by placing burning tires around their necks.

"It is heart-breaking that she had to die this way after dedicating all her life to the cause of freedom and justice. She spent most of the last 10 years in detention or as a political prisoner," Maria Loate added.

Many political activists have admitted that the often-murderous

activities of young black radicals have passed out of the control of black political leaders and even of the outlawed African National Congress which is leading the struggle against white minority rule.

Meanwhile, the Dutch Reformed Church, to which 1.7 million South African whites and most cabinet ministers belong, faces a decision at a crucial synod this week on whether to regard apartheid as a sin.

The church, whose membership is restricted to whites, is under pressure from mixed-race coloured worshippers in its rebellious so-called "daughter" sendingkerk (mission church) to denounce apartheid as a heresy.

For the last 40 years the church has staunchly supported South Africa's National Party government and argued that the Bible justified separation of the races.

Its newly-elected moderator, Prof. Johan Heyns, told Reuters that for the first time in its history the church's leaders were asking it explicitly to withdraw support from any theological arguments for apartheid. (AFP, Reuters)

## Tunis hails PLO decision to transfer its headquarters

TUNIS. (Reuters). — Prime Minister Rachid Sfar has said that a PLO decision to transfer military personnel from its Tunis headquarters was in the PLO's best interests.

"PLO representatives took the decision, a decision which was in fact taken some time ago, to transfer units elsewhere," he said in a recent interview with Reuters, the television agency Visnews and the British Broadcasting Corporation.

"I think it is a decision which serves the interests of the PLO."

PLO Chief Yasser Arafat, whose military headquarters have long been in Sanaa, North Yemen, said last week that he had moved remaining military commands from his main Tunis headquarters to North Yemen and Iraq.

"We decided to end our military presence in Tunis two months after the Israeli air raid on Tunis. Thank God there is no Palestinian military presence in Tunisia today," Arafat was quoted as saying in the Egyptian October magazine, published Saturday.

"After the raid, I found it my duty to move to an area (a country) that

can provide protection," Arafat added in the interview.

A senior PLO official said this entailed moving some 100 military personnel and their families, whose departure in recent weeks for Sanaa, Baghdad and Khartoum now is virtually completed.

He said the people involved were deskbound military personnel and that Palestinian fighters had long quit Tunisia. A PLO military training camp at Qued Al-Zargua, 100 km west of Tunis, was closed more than a year ago, he added.

Asked if there had been an agreement between the PLO and Tunisian authorities to reduce the PLO presence here, Sfar said that this was the result of a PLO decision.

"And the military units you are alluding to, from the start there was never any question that they would be stationed for a long time in Tunisia," he added.

The PLO official said that Arafat headquarters, the political department headed by "foreign minister" Farouk Kaddoumi, as well as the information department and the Palestinian News Agency Wafa would remain in Tunis.

## MIDDLE EAST BRIEFS

### Arab summit proposed for 'soon as possible'

TUNIS (AFP). — Foreign ministers of the Arab League agreed unanimously that an Arab summit should be held as soon as possible, a spokesman said here after the ministers completed an eight-hour council meeting Saturday night.

Observers said it was the first time in over three years that the League's 20 countries, plus the PLO, had managed to agree unanimously to stage a summit. The ministers also deferred until the summit a controversial Syrian draft resolution condemning last July's meeting between Morocco's King Hassan and former prime minister Shimon Peres.

### French minister discusses tanks sale to Saudis

RIYADH (Reuters). — French Defence Minister Andre Giraud said yesterday he had discussed the sale of French AMX-40 tanks to Saudi Arabia and that they would be tested in the desert next summer. "We believe it is a good weapon and we will test it in the kingdom next summer when conditions are difficult," Giraud told a news conference on the eve of his departure after an official four-day visit.

### Iran denies bread lack

TEHERAN (Reuters). — An Iranian official yesterday dismissed rumours that bread was to be rationed and accused "counter-revolutionaries and agents of America" of fomenting a shortage scare. Tehran radio said.

### Jordan seeks Kuwaiti aid for West Bank

KUWAIT (AP). — Jordanian Prime Minister Zaid al-Rifai has been discussing with high-level officials here a possible Kuwaiti contribution to Jordan's \$1.3 billion development plan for the territories, said diplomatic sources. Jordan and Kuwait agreed to bolster trade and economic ties during Rifai's current three-day visit to Kuwait.

Meanwhile, Bethlehem Mayor Elias Frej was quoted in the Kuwaiti newspaper Al-Watan saying it is "untrue" that the development plan represents a joint Jordanian-Israeli effort to curtail PLO influence.

### 10 killed in Iranian attack on tanker

SHARJAH, UAE (AP). — The number of sailors killed aboard the Panamanian tanker rocketed by an Iranian gunboat on Friday has risen to 10, one of the highest casualty tolls in the spillover of the Iraq-Iran war on the Gulf waters, it was reported yesterday.

### Mugabe-Nkomo merger

BULAWAYO (AP). — Prime Minister Robert Mugabe and opposition leader Joshua Nkomo have agreed to merge their two political parties under Mugabe's leadership, the Sunday News reported. They are expected to formally announce the merger before the end of the year.

A united party will give Mugabe 79 of the 100 National Assembly seats and the more than two-thirds votes needed to rewrite the constitution to introduce a one-party state.

## Florida coast littered with mysterious crates of arms

JUPITER ISLAND, Florida (AP). — Wooden crates with Russian and Spanish writing on the outside and filled with rifles and live mortar shells washed ashore on several beaches Saturday, authorities said.

Police and Navy officials speculate that the weapons came from either a freighter that went down two weeks ago off Lake Worth Inlet or from the Soviet nuclear submarine that sank off the Bermuda coast on October 6.

"Our concern is that people picked up the explosives and carted them off," Sheriff Wille said. "We know for

sure that one whole box that washed ashore just disappeared." He said residents are being asked not to touch the crates. He said they might be radioactive, but did not elaborate.

The weapons could have come from a Bahamian freighter, named the Long Island Express, which went down about 70 kilometres off Lake Worth Inlet.

But Coast Guard officials expressed doubt that anything from the freighter could have crossed the strong Gulf Stream currents without being swept northward.

## No apology for 'slitty eyes'

HONGKONG (AFP). — British Foreign Secretary Sir Geoffrey Howe said here yesterday that Queen Elizabeth II's tour of China had been a great success, and ruled out any British apology for controversial remarks made by the Queen's husband Prince Philip during the trip.

Sir Geoffrey, who had accompanied the queen, told the press on his arrival here from nearby Canton that the remarks were made in private.

Prince Philip had jokingly warned Edinburgh University students that if they stayed too long in China they would go home with "slitty eyes,"

and described Peking as "ghastly." Sir Geoffrey said that the Queen's six-day state visit, which ended Saturday, had been "unblemished and untroubled and a great success all round."

He noted that in his talks with Chinese leaders, including Premier Zhao Ziyang, Foreign Minister Wu Xueqian and director of the Hong Kong and Macao Affairs office Ji Pengfei, it was agreed that implementation of the Sino-British agreement on Hong Kong's future was going well.

The British colony will revert to Chinese rule in 1997.



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# Second Thoughts

## The Official View on Iceland Is Still Chilly, but Thawing

By BERNARD GWERTZMAN

**M**ANY people have asked why I seemed and looked so tired and disappointed immediately after the meeting ended in Reykjavik, a smiling and relaxed Secretary of State George P. Shultz told a National Press Club audience Friday. "The answer is simple. I was tired and disappointed."

That Mr. Shultz could joke about his distraught appearance last Sunday is evidence of the sea change that has taken place in the last week. Last Sunday, with the world awaiting his every word, Mr. Shultz went before the cameras in the Icelandic capital to say that President Reagan and Mikhail S. Gorbachev had ended two days of talks without tangible results — not even a date for a follow-up summit meeting — despite extraordinary efforts approaching sweeping arms control breakthroughs.

Because early reports from Iceland had suggested that the two leaders were making progress, Mr. Shultz's comments were a cold blast.

To many, it seemed that the superpowers had irretrievably lost a chance to reach agreement on some of the most difficult arms control questions. Mr. Reagan and Mr. Gorbachev, caught up in their own disappointment, at first began attacking each other for the lack of visible results.

But the anger passed quickly. Within a day or so, Mr. Reagan and Mr. Gorbachev were stressing the positive aspects of their meeting. Soviet diplomats privately informed the Reagan Administration that the Soviet proposal to limit "Star Wars" research is not as restrictive as American officials had described it and would actually allow testing outside the laboratory. President Reagan's reluctance to restrict the testing to the laboratory was one of the major points of discord in Reykjavik.

So it became clearer that the two-day summit was

just one in a series of such meetings that will probably produce some agreements, some day.

And, on Wednesday, Moscow suddenly permitted a prominent Soviet Jewish "refusenik," David Goldfarb, who had been awaiting an exit visa for eight years, to emigrate with his wife aboard the private jet of the industrialist Armand Hammer. The next day, a Jewish couple who had been repeatedly refused permission, because of a technicality, to go to Israel, found that the technicality had suddenly been waived.

Was this the result of the summit meeting? There were some suggestions that Moscow was using such gestures to keep relations with Washington calm.

And there is some evidence that the White House itself panicked immediately after the impasse. Worried that the initial negative reports from Iceland would translate into setbacks for Republicans on the campaign trail, the Reagan Administration launched an all-out propaganda blitz, sending every prominent official out to say that the Iceland summit was a "success" and the future looked good. But it is still something of a mystery how President Reagan could have been ensnared in such a situation. What happened in Iceland was that Mr. Reagan was apparently caught off guard by Mr. Gorbachev's aggressive strategy. The President had expected a rather desultory exchange of views with some progress likely on one or two issues and a date set for a follow-up summit meeting in the United States.

But Mr. Gorbachev presented instead some sweeping concessions on arms control issues in an effort to loosen Mr. Reagan's attachment to his "Star Wars" program, known officially as the Strategic Defense Initiative. To some, like Zbigniew Brzezinski, the former White House adviser, Mr. Gorbachev had tried to entrap the President, to make him look bad.

Mr. Reagan and Mr. Shultz, however, believe that Mr. Gorbachev was negotiating in good faith and that the concessions put on the table cannot be withdrawn so easily.

They believe there are grounds for some hope that they can make progress with the Russians in coming months. From what was said by Mr. Gorbachev, it looks as if Moscow also believes there is room for additional bargaining, particularly on reducing the number of medium-range missiles.

At Reykjavik, the two sides agreed on scrapping all the medium-range missiles in Europe, allowing the Russians to keep missiles with 100 warheads in Asia and the Americans to keep the same number in the United States. With that compromise and others on measures to verify compliance, there could be a treaty if the Soviet Union decides not to make it contingent on an agreement on space defense, the "Star Wars" issue.

For the moment, Moscow seems to be saying that while it will negotiate new accords, it will sign agreements only in a package deal. As part of the package there would also be an accord on deep cuts in offensive strategic weapons. In Iceland, the two sides agreed provisionally on 50 percent cuts in all strategic weapons over five years. The Soviet Union then proposed a ban on all nuclear forces over 10 years, but the United States wanted to limit the total ban to ballistic missiles, the most lethal in the arsenals of both sides.

The most difficult issue, not just in Iceland, but for the last two years, has been the Soviet effort to kill the Strategic Defense Initiative. But even here, from the Washington point of view, there could be compromise if



**'Mr. Gorbachev and I got awfully close to historic agreements in the arms reduction process. We took discussions into areas where they have never been before.'**

Ronald Reagan

**'This was an important event. It has been a reassessment and has created a qualitatively new situation. And nobody is now in a position to act the way he was able to act before.'**

Mikhail S. Gorbachev



The New York Times/José R. Lopez (Reagan); Agence France-Presse

Moscow is indeed willing to drop its ban on testing outside the laboratory, and to bargain on how long both sides would agree not to deploy defenses in space.

The discussion about cutting sharply into nuclear forces has raised anew a perplexing military questions. Nuclear weapons have more or less served as a deterrent to war in Europe. Without such weapons, would the two sides, employing only conventional forces, be able to continue maintaining the peace, or would the temptation to go to war rise? And would the West, which has ac-

cepted since 1945 a smaller conventional force in Europe because of the nuclear deterrent, be able to summon the will and spend the money to match the Red Army? Senator Sam Nunn, the Georgia Democrat, who is one of the most sophisticated defense thinkers in Congress, has grave doubts. But Mr. Shultz is confident that "we can do it, and we will do it, if we have that opportunity."

"I'd much rather have that opportunity," he said last week, "than to live in constant terror of what a nuclear weapon may do to us."

### The New York Times / CBS NEWS POLL

#### Reagan and the Russians

How well has President Reagan handled relations with the Soviet Union?

	Approve	Disapprove	Don't know
April 1981	58%	20%	23%
September 1981	62	19	19
January 1982	54	31	15
January 1983	45	32	23
January 1985	60	26	13
September 1986	61	26	13
October 1986*	72	20	8

Will the meetings between Reagan and Gorbachev eventually lead to real nuclear arms control agreements?

	Yes	No	Don't know
November 1985*	32%	55%	13%
January 1986	41	47	11
October 1986**	57	31	12

\*Poll taken before summit meeting in Geneva last November

\*\*Poll taken following summit meeting in Iceland last weekend

### In Summary

#### In Nicaragua, A Doomed Plane, A Tangled Tale

Like a Graham Greene novel of intrigue, the story of the American cargo plane shot down over Nicaragua continued to unfold last week.

The aircraft, shot down over southern Nicaragua Oct. 5, was carrying supplies for the anti-Sandinista rebels, or contras. The American survivor from the plane's crew, Richard Hasenfus, was captured and has charged that the flight and others like it were made under the supervision of Central Intelligence Agency officials working at air bases in El Salvador and Honduras. The C.I.A. involvement was said to have continued after August 1984, when Federal law forbade the agency to help the contras. Reports from El Salvador indicated that the agency is still active in rebel-supply operations at Topogang, one of the air bases Mr. Hasenfus named.

The C.I.A. and the Reagan Administration continued to deny last week any involvement in such activities. But some members of Congress were not satisfied, and by week's end, 12 House Democrats asked the Justice Department to appoint a special prosecutor to study charges of Administration involvement in aid to the contras.

The office of Vice President George

Bush acknowledged that he had met with a man named Max Gomez, believing he was a military adviser to El Salvador. Mr. Hasenfus said Mr. Gomez was a C.I.A. agent involved in anti-Sandinista supply operations.

The Nicaraguan Government announced that Mr. Hasenfus would be tried in a political court. That moved the United States Embassy in Managua to protest that the trial would be in a Sandinista "kangaroo" court.

#### An Israeli Flier Is Held in Lebanon

Terrorists struck with grenades at a group of Israeli soldiers from the elite Givati Brigade left the Walling Wall in Jerusalem after a swearing-in ceremony last week. One person, a civilian, was killed, and 65 were injured in the attack, the most serious in Jerusalem since Palestinian gunmen killed 1 person and wounded 47 on a street in April 1984.

Responsibility for last week's attack was quickly claimed in Cairo by a spokesman who said he represented the faction of the Palestine Liberation Organization headed by Yasser Arafat.

Israel's evident response came the next day, Thursday, when sorties of air force and navy planes bombed suspected Palestinian guerrilla bases in southern Lebanon. This is the usual procedure

after Israel is attacked, and usually the Israeli planes return unscathed.

But this time an Israeli F-4E Phantom fighter was shot down near Sidon, apparently by guerrillas using Soviet-made missiles. The plane was the first Israel had lost over Lebanon since its invasion of that country in June 1982.

The pilot and navigator of the plane survived, and an Israeli helicopter whisked the pilot off a hillside under guerrilla fire. But the navigator was taken prisoner by militiamen of the Moslem Shiite Amal force. At week's end, Israel was demanding the return of the prisoner, but did not say how it might retaliate against Amal if he were not freed.



A victim being carried from scene after grenade attack in Jerusalem last week.

### Congress

#### A Final, Frantic Rush to Adjourn

**A**T times the 99th Congress seemed to be going down for the third time, with its life passing before its eyes. In the last hours of this session it gave final passage to a landmark immigration bill, the product of a decade's work; to a single mammoth package appropriating money for all Government programs this year, including some, like aid to Nicaraguan rebels, that had been hotly disputed; to a different package raising the debt ceiling and reducing the projected deficit; to an election-year program to fight illegal drugs; to a ban on most mandatory retirement, and to a \$16.3-billion water projects bill, the first in 16 years. But a measure providing \$90.7 billion for highways and mass transit died in a dispute over the national speed limit. A partial scorecard of Government action follows.

**The budget**  
As weary Senators struggled Friday to unravel a stalemate over a jet trainer made on Long Island, the Reagan Administration turned up the pressure by sending Federal workers home. Having found a compromise that neither killed nor supported the Air Force plane, the House dropped two controversial provisions benefiting labor, and both houses swiftly passed the \$576-billion comprehensive appropriations bill. President Reagan signed it Saturday. Congress completed budgetary action for the year by approving a second package to raise the debt ceiling to \$23 trillion and meet a mandated deficit-reduction target. The latter legisla-

tion, dubbed "gimmickry" by many members of Congress, is supposed to bring the deficit to \$154 billion. (Many analysts doubt it will succeed, Page 5.)

**Immigration**  
The bill overhauling the nation's immigration law, which President Reagan was expected to sign, would offer legal status to several million aliens who have been living in the United States illegally. It would require employers to ask for identification verifying the citizenship status of job applicants and penalize employers who hire illegal aliens. (Hundreds of aliens use fraud to enter, Page 4.)

**The environment**  
Facing a probable override, President Reagan signed legislation expanding a national effort to clean up toxic wastes at a cost of \$9 billion. But his veto threat still hung over a bill to extend the Clean Water Act for eight years and to provide \$18 billion for sewage treatment. And in the final hours Congress was unable to reconcile differences in a major bill to test and control pesticides.

**Drugs**  
With an unusual parliamentary move, Congress broke a month-long impasse on a bill authorizing \$1.7 billion worth of antidrug enforcement and education programs. The sticking point, a House provision allowing the death penalty for murders related to drug transactions, was not in the bill sent to Mr. Reagan, who is expected to sign it.

# The World

## Partisan Wrangles Delay Power Swap In Israeli Cabinet

Given the rumbustious nature of Israeli politics, the delay in transferring the Prime Minister's office from one faction to another was not surprising.

Shimon Peres, the Labor Party leader who had held the job for 25 months, was supposed to turn it over Tuesday to Yitzhak Shamir, the leader of the Likud bloc, who is to hold it for the next 25 months.

The switch is part of the power-sharing agreement between the major factions signed after an inconclusive election in 1984.

Mr. Peres had resigned and Mr. Shamir was ready to form a new Government along the lines of the coalition agreement. But disputes erupted, over the composition of the Cabinet and how to select an Ambassador to Washington. Attempts to resolve the problem took the rest of the week.

By week's end, a tentative agreement had been assembled. The Shamir Cabinet would remain at 25 members, but would include Yitzhak Mordechai, the former Finance and Justice Minister who was thrown out of the Cabinet last July for insulting Mr. Peres. He is to return as a Minister Without Portfolio.

Another new member, the only woman in the Cabinet, is to be the Labor Party's Shoshana Arbeli Almosino. She is to replace Mordechai Gur as Housing Minister. Mr. Gur refuses to sit in a government with Mr. Shamir.

The Ambassador to Washington, one of the most important Israeli posts, is to be chosen by Mr. Shamir from a list of three or four candidates proposed by Mr. Peres, who is replacing Mr. Shamir as Foreign Minister.

The formal accession of Mr.

Shamir is to be approved by the Parliament tomorrow, if the settlement holds up.

## Reactions Vary on Bangladeshi Vote

President H. M. Ershad of Bangladesh hailed last week's national election as "the last bridge toward a democratic government." But to the main opposition leaders, it was another step toward stronger rule.

General Ershad, who seized power in a 1982 coup, won an overwhelming victory: official returns showed that he received 90 percent of the vote against 11 other candidates.

But the largest opposition parties boycotted the election because they said it would be rigged by the Government. Indeed, independent observers said that many polling places had only a handful of voters even though the rolls showed that many more had cast ballots.

And opposition leaders took issue with the Government's contention that 50 percent of the eligible voters had turned out. Sheikh Hasina Wazed, the daughter of Bangladesh's founding president, Sheikh Mujibur Rahman, who was killed in a 1975 coup, maintained that the turnout was more like 1 percent, with most voters heading her appeal for a boycott to protest General Ershad's refusal to lift martial law before the election.

But there were few reports of the voter intimidation and violence that marked the parliamentary elections in May. In that vote, Mrs. Hasina Wazed's coalition won 99 seats in the 330-member Parliament.

Some commentators hope that the election will nudge Bangladesh closer to civilian control with some opposition participation. General Ershad said he would lift martial law as soon as the Parliament ratifies a measure that would legalize all the actions taken under his rule.

## Another Tragedy In San Salvador

"We have lived through two conflicts: the war and now this," Trinidad Diaz said last week as she watched neighbors search the rubble for relatives buried in the earthquake that struck San Salvador nine days ago.

Although the quake destroyed or badly damaged many downtown office buildings, including the United States Embassy, and the thousand people thought to have been killed included both rich and poor, it was shanty towns like the one where Mrs. Diaz lives that were hardest hit.

The residents, many of them refugees from the civil war in the countryside, said they received little help initially in searching for survivors or burying their dead. They lacked water and food for the first few days, and there were not enough tents to shelter the estimated 150,000 homeless from heavy rainstorms. Some people

blamed the Salvadoran Government for the slow response. Others seemed resigned to the disaster.

The Government said it could not begin to cope with the crisis and complained that the world was slow to respond with aid. "Nobody has given a tenth of what we need," the Minister of Communication, Julio Adolfo Rey Prendes, said Tuesday.

But by Thursday, Secretary of State George P. Shultz was walking through the devastation of the city, stating that the country had suffered an economic "catastrophe," but that "we have a sense of the resilience of the human spirit that is so evident here." He said that \$50 million in aid already approved by Congress was a down payment on what would be hundreds of millions needed to rebuild the country. Mr. Shultz met for 35 minutes with President José Napoleón Duarte and said the military had suffered \$100 million in damage from the earthquake. Mr. Shultz also accused leftist guerrillas of a kind of human resilience: steal-

ing supplies and giving them away to the populace.

## An Old Dispute Divides Belgium

There was a Government crisis last week in Brussels or, if you prefer, Bruxelles.

Bilingual Belgium's Prime Minister, Wilfried Martens, offered to resign over the latest dispute between the Dutch-speaking Flemish and the French-speaking Walloons: the dismissal of a rural mayor who refused to use the official language of his region.

The tension began to rise last month when a court ordered José Happort, the French-speaking "bourgmestre," as he prefers to call himself, of Fourons, in Dutch-speaking Flanders, to step down because he refused to speak Flemish at official functions.

But Mr. Happort refused to leave office, arguing that his tiny com-

mune of villages is 70 percent French-speaking and that his constituents wanted him to challenge its official designation as Flemish.

Members of the conservative national Government, divided between French and Dutch speakers, could not agree on what to do. Mr. Martens submitted his resignation to King Baudouin, who has refused to accept it.

Mr. Happort, a Socialist, said he did not care whether the Government fell. "Belgium is an artificial state," he said. "A German monarchy was imposed artificially on two fundamentally different peoples. Since then, we've had to live with it."

The Flemings, who live primarily in the north, make up 58 percent of the Belgian population; the Walloons, most of whom live in the south, make up 42 percent. In Fourons, the two groups are forced to do business with each other, but they shun one another socially.

James F. Clarity and Milt Freudenheim



Rescue workers carrying a survivor found last week in San Salvador office building that was destroyed by earthquake.

Associated Press

## Mitterrand Hints at Retirement



Syngma/Orban-Nogues (Mitterrand); J.B. Pictures/Leopold (d'Estaing); Sipa Press/Sichov (Chirac); Gamma-Liaison/Daniel Simon (Rocard). President François Mitterrand (waving) and, from left, former President Valéry Giscard d'Estaing, Prime Minister Jacques Chirac and Michel Rocard.

## France Nears the End Of a Socialist Chapter

By FRANK J. PRIAL

TWO foreign diplomats responsible for following French politics were talking the other day about President François Mitterrand's opaque statement last week that he might not seek a second seven-year term in 1992. "Mitterrand will run," said the first diplomat, "but only if he is sure he can win."

"Mitterrand will run," said the second, "but only if he thinks Michel Rocard will win if he doesn't run."

Mr. Rocard is 14 years younger than the President, who turned 70 last week. He almost beat Mr. Mitterrand for the Socialist nomination in 1981, and the President has been trying to keep him at arm's length ever since. After Mr. Mitterrand's suggestion that he might not run in 1988, Mr. Rocard quickly announced that he was more than ready to do so.

Mr. Mitterrand's words, uttered in response to a reporter's question Monday, were: "Each time that I think about this business, everything encourages me to say to myself, 'No, I will not be a candidate.'"

But then he added: "Will things intervene

that make me think this is a mistake? I cannot envisage it. How much time is there for that? In principle, 17 months."

Presidential aides were quick to dismiss the statement as inconsequential, but there is a considerable body of thought in Paris that Mr. Mitterrand will, in fact, step down at the end of one term, leaving the field to his old enemy Mr. Rocard, an eloquent speaker, a graduate of the prestigious Ecole Nationale d'Administration and a finance inspector by profession.

Mr. Mitterrand will be 71 when the next presidential election is held in May 1988. Even if he does not run, his place in history seems secure. He raised the appeal of a faction-riddled, ineffectual Socialist party from 9 percent of the vote in the 1960's to 38 percent in 1981.

He was the first Socialist candidate to win the Presidency since the Fifth Republic was founded in 1958 and the first Socialist to lead the country since Léon Blum in the 1930's. And, for good measure, he engineered the demise of the French Communists as a major political party.

Mr. Mitterrand, for all practical purposes, personifies the modern Socialist party, much as Charles de Gaulle was the champion of the moderate right. To seek

election in 1988 and lose could tarnish that image irreparably.

Nor is there much reason to believe that Mr. Mitterrand would win, hands off or at all. The right took over the Government and the office of Prime Minister last March with a majority of two seats in the National Assembly. Since then, President Mitterrand has been upstaged politically by the conservative, neo-Gaullist Prime Minister, Jacques Chirac.

A national shift away from the left also was indicated in by-elections last summer, when the Socialists got only 30 per cent of the vote, and the conservatives increased their majority in the Assembly to 288 seats against 213 for the left. And as the conservative majority has discarded Socialist-inspired proportional representation in national elections, the Socialists will find it even more difficult to win Assembly seats. So the latest chapter of Socialist adventure in France, led by Mr. Mitterrand, has ended.

When it began in 1981, some leftist economic theories that had long been discredited elsewhere did nothing to alleviate unemployment or national debt and led quickly to disillusion and drift.

The Socialist ideologies, such as the first Mitterrand Prime Minister, Pierre Mauroy, were replaced in mid-term by technocrats like the second Prime Minister, Laurent Fabius. Mr. Mitterrand's supporters pointed out that he was being pragmatic, placing the needs of the country above his ideological principles. The new Mitterrand team replaced euphoria with austerity: budget cuts and plant closings, traditional capitalist tools.

There are signs that the squabble among the conservative leaders — Mr. Chirac, the former President, Valéry Giscard d'Estaing, and the former Prime Minister, Raymond Barre, is breaking out again. But few political observers believe that they are about to commit the kind of political suicide that helped Mr. Mitterrand win the presidency in 1981. One of them — Mr. Chirac seems to be the front-runner — will probably get united support on the right in 1988.

Many important Socialists included in their speculation another potential candidate, Jean-Pierre Chevènement, a former Education Minister who is generally considered a leader of the party's left wing. And many, including Pierre Bérégovoy, a former Finance Minister, insist that Mr. Mitterrand is still the best candidate for 1988. "He didn't say he wouldn't be a candidate," Mr. Bérégovoy said of Mr. Mitterrand. "He said he would examine the conditions. Let's wait and see."

But there is a good case for his stepping down, and if he does Mr. Rocard would be his most likely successor as party standard bearer.

Mr. Rocard has long been one of France's most popular political figures, even though the highest office he has ever held was as Minister of Agriculture under Mr. Mitterrand. According to a poll conducted by the newspaper *Quotidien* and released Thursday, Mr. Rocard was the personality most Frenchmen would like to see play a political role "more important than the one he is playing today."

Among all political figures, excluding the incumbent President and Prime Minister, Mr. Rocard placed second in popularity to Mr. Barre. But of the politicians of the left, he was the leader.

## A Link Recanted in El Al Bomb Case

By JAMES M. MARKHAM

## Tracking Down Syria's Terrorist Connections

IN THE discreet world of Western counterintelligence, the name of Syria's Brig. Gen. Mohammed Khuli cropped up insistently last week. The head of the Syrian Air Force's powerful intelligence network and an adviser to President Hafez el Assad, he is a familiar, if elusive, figure to the investigators in London, West Berlin and Paris who say they have come up with what would seem to be proof of his country's connection to recent terrorism operations.

In a London court, prosecutors said Nezar Hindawi, a 32-year-old Jordanian accused of trying to blow up an Israeli airliner, had testified in pretrial questioning that Syrian agents in Damascus furnished him with a Syrian passport, \$12,000 and a bag with a false bottom that contained Czechoslovak-made explosives. Mr. Hindawi, they said, also mentioned that a Syrian air force intelligence officer, Col. Haitem Said, had taught him how to detonate the bomb. The prosecution contends that Mr. Hindawi also told police investigators that he had flown from the Syrian capital, stayed in a London hotel with Syrian security men and then given the bomb to his unwitting pregnant lover before she was to board an El Al flight to Israel in April. After the bomb was discovered by Israeli security agents, Mr. Hindawi fled to the Syrian Embassy and was greeted warmly by the Ambassador, according to the prosecution. In court last week, Mr. Hindawi repudiated most of his pretrial testimony.

Mr. Hindawi's brother, Ahmed Hazi, is expected to go on trial soon in West Berlin for the March bombing of an obscure German-Arab Friendship Society. Mr. Hazi told the police, they said, that he had picked up the explosives from the Syrian Embassy in East Berlin after his brother traveled to Damascus to clear the German attack with Syrian intelligence.

In France, the Government of Prime Minister Jacques Chirac has been trying to lean on the Syrians to restrain terrorists who killed 8 people and wounded more than 150 in a series of bombings in Paris last month. According to a source close to the investigation, the Government does not believe that the Syrians ordered the bombings, but it is convinced that General Khuli has previous connections to a clan of Lebanese Maronites suspected of being behind the attacks. France has implicitly threatened to publicize what it knows about Syria's involvement in terrorism if the bombings do not stop. At least one French official has met with General Khuli in Damascus to convey this message.

Mr. Assad's regime has not flinched from using terrorism to cut down its Arab enemies abroad and to try to dominate the Palestinian movement. It has also used violence to influence events in Lebanon and to strike at Israel. But it has not been Syria's habit to order attacks on civilian targets in Western Europe in the indiscriminate manner of the recent Paris bombings.

Four competing and mutually suspicious

Syrian intelligence networks make it difficult to attribute every act of state-sponsored terrorism to Mr. Assad — and this ambiguity gives the President what is called deniability.

If someone in Syria did order the bombing of the El Al flight, Western intelligence experts believe that it was in retaliation for the Israeli interception of a Libyan jet in February. In that incident, the Israelis thought they had captured top Palestinian terrorists but found instead that they were holding seven Syrian politicians, including the assistant secretary general of the nominally ruling Baath Party. The Syrians were freed after 11 hours. Western analysts say it is possible that hotheads in General Khuli's operation sanctioned the El Al bombing to trigger a war between Syria and Israel.

"It's almost instinctive for them to use terrorism as a weapon and then to deny it," Paul Wilkinson, a terrorism expert at Aberdeen University, said of the Syrians.

In an interview this month in *Time* magazine, Mr. Assad accused Israeli agents of staging the aborted El Al bombing in London to discredit Syria and the Arab cause. "If Syria had had a hand in it," Mr. Assad said coolly, "the accused would not be facing trial in a British court." Mr. Assad conceded that Mr. Hindawi, though a Jordanian, had been issued a Syrian passport after having lost his Jordanian papers. But he described it as "an ordinary matter that happens often in Arab countries."

If Mr. Hindawi is found guilty of trying to blow up the Israeli airliner on the orders of the Syrian Government, Prime Minister Margaret Thatcher of Britain may be obliged to take some kind of retaliatory action against Damascus. "Any state which directs violence against another nation," Foreign Secretary Geoffrey Howe has declared, "must meet the anger of the whole civilized world." The El Al bombing attempt would appear to fall into the category of aviation crime that the United States and its principal allies have agreed should lead to the severing of all air links. But it remains to be seen whether the West wants to take on President Assad, a powerful player in the Middle East and the Soviet Union's principal Arab ally.



Nezar Hindawi

Reuters

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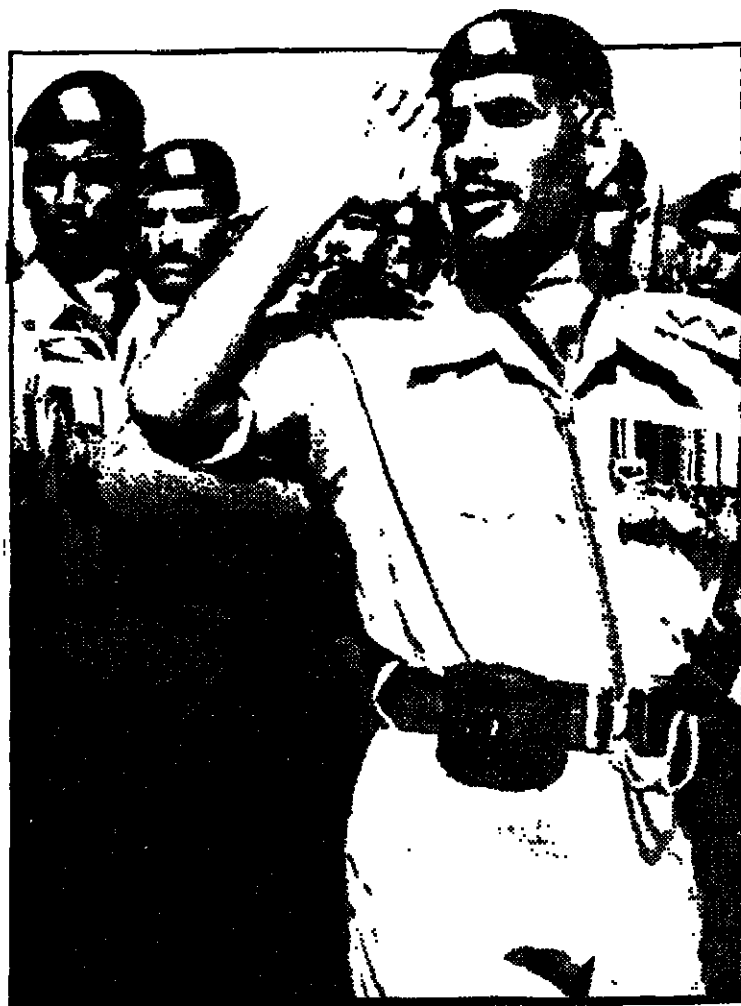


Weinberger, Visiting Last Week, Signaled American Concerns in the Region

# Old Enmity Simmers Between India, Pakistan



**Show Of Arms**  
Indian tanks during Army Day in New Delhi; Pakistani troops on parade.



Contact/Dip Mehta (tanks); J.B. Pictures/Judah Passow

By STEVEN R. WEISMAN

**A** DAY before a gunman shot at Prime Minister Rajiv Gandhi this month, a rumor raced through Karachi, the largest city in Pakistan, that the Indian leader had been killed. Citing that evidence, Indian newspapers have been avidly speculating since then about a "foreign hand" in the attempt on Mr. Gandhi's life. Despite heated denials from Pakistan, the Prime Minister himself suggested that such a plot might have existed.

The episode underscored the worsening relations between India and Pakistan after a period of optimism growing out of their effort to reduce tensions left over from three wars since their independence in 1947. The drive to improve relations accelerated a year ago, after Mr. Gandhi and President Mohammed Zia ul-Haq of Pakistan pledged not to attack each other's nuclear installations.

But there has been almost no progress in subsequent talks over India's contention that Pakistan is building a nuclear bomb or aiding Sikh extremists in the state of Punjab. The atmosphere became worse last month when Mr. Gandhi blamed Pakistan for having "bungled" the handling of a Karachi hijacking in which more than 100 were wounded and 21 killed, most of them Indian passengers on an American jetliner. The rising tensions between the two countries are not seen as likely to spill into warfare; indeed, certain sensitive border regions have been fairly quiet this fall. But the difficulties pose for American

policymakers a special problem that was visible during the visit to South Asia last week by Defense Secretary Caspar W. Weinberger.

As American officials made clear, the United States is entering a new phase in its military relationship with both countries. President Reagan is expected to ask Congress to renew a Pakistani aid program that over the next six years will include \$1.7 billion in military assistance and a somewhat larger package of economic aid. Perhaps more significant, Mr. Weinberger's visit to India — the first ever by an American Defense Secretary — signaled a modest but important increase in American military cooperation with New Delhi.

The Indian relationship has been frozen since 1965, when Washington stirred great bitterness here by ending military sales to India after the outbreak of its war with Pakistan. Yet since 1981, the United States has sold Pakistan \$1.6 billion worth of weapons, making it one of the biggest recipients of American arms. Washington has matched its weapons sales with more than \$280 million a year in economic aid. By contrast, India has received between \$150 million and \$200 million a year in purely economic aid in recent years.

American defense officials say there has been a growing recognition in Washington in recent years that it made no sense for the United States to invest all its resources in Pakistan to the exclusion of much larger and more powerful India. Looking toward the next decade, American officials see India as the predominant power in the strategically vital Indian Ocean, as well as a key counterweight to the Soviet



Defense Secretary Caspar W. Weinberger in cockpit of fighter plane during visit to India last week.

Union and China, one that Washington hopes will understand American concerns in the region. "The overwhelming military superiority in the region lies with India," Richard Armitage, an Assistant Secretary of Defense, told reporters before Mr. Weinberger's trip. "It is somewhat unnatural for us not to have a better relationship with the world's largest democracy."

Washington is also eager to make India less reliant for weapons assistance on the Soviet Union, from which it purchases at least 70 percent of its military equipment. American officials have made clear their eagerness to be of help with some kinds of military-related technology, provided India can offer assurances that the technology will not "leak" to the Russians or be used to develop nuclear bombs. India would like high-technology equipment for its domestically produced tanks, ships and planes, such as General Electric 404 aircraft engines, and computerized guidance systems. But reluctance to allow India such equipment is said to be still high in the Pentagon. American officials made clear they hoped that one benefit of Mr. Weinberger's visit would be to make him more favorably disposed toward New Delhi and more willing to push its requests past colleagues who dislike its pro-Soviet positions.

In New Delhi, Mr. Weinberger toned down his own anti-Soviet statements and seemed to be philosophical about India's friendship with Moscow. "I think each country has to do pretty much what it wants to do," he said, adding a small warning that reliance on Moscow for weapons brings "a great deal more than the owner's manual — it brings with it a great deal of influence."

Iranian Troops Appear to Be Massed for a Fall Offensive

## Six-Year War Poised at Dead Center

By JOHN KIFNER

**B**ACK in the fall of 1980, it must have seemed like a good idea to the Iraqi strongman, Saddam Hussein. Revolutionary Iran appeared to be on the ropes, its once-mighty army battered and demoralized from the Islamic upheaval that overthrew the Shah. In command of increasing oil wealth, and what was believed to be the strongest military force in the region, President Hussein had just strengthened himself politically in a bloody purge of his associates. The time seemed perfect to prove that Iraq was tougher than its perennial enemy, Iran.

At 3 A.M. on Sept. 22, 1980, six Iraqi divisions roared over the frontier into Iran, the bulk of the force aimed at Khuzestan, the oil-rich southern province. It was a heady time in Baghdad. President Hussein ordered Iraqi embassies to bring in foreign journalists — an extraordinary event in that closed society — to witness a victory that was supposed to take about three days. Television blared martial themes, showing a fat man in a jet pilot's suit singing patriotic airs through the closed visor of his helmet and a squad of commandos who ran off a helicopter and seemed to disappear under swamp waters. Victory followed victory on the Iraqi news.

Now, taxicabs coming from the south carry flag-draped coffins on their roofs back to Baghdad, to neighborhoods where the traditional mourning wailing has been forbidden. And, six years later, Ayatollah Ruhollah Khomeini's Iranian forces have taken back all the territory Iraq overran in those first few weeks. After a long stalemate, Iran broke through Iraqi lines in February and, despite repeated counterattacks, established a foothold in the disputed Iraqi oil terminal at Fao. Last week, Tehran announced that Fao had been hooked into the Iranian power grid, and some members of a provisional Islamic revolutionary government for Iraq, to be headed by the exiled Iraqi Ayatollah Bakr Hakim, are believed to be waiting there.

Both sides have taken heavy losses — American officials estimate that Iran has lost 250,000 dead and nearly 500,000 wounded, Iraq 100,000 dead and 150,000 wounded — and both are suffering increasing economic pressure because of falling oil prices. Now, their war may be entering another critical stage. Iran has massed some 650,000 men along the border, according to intelligence interpretations of American satellite photographs, and the Revolutionary Guards, the Shiite Muslim shock troops of the ruling Islamic mullahs, announced that they had mustered 500



Iranian women bidding farewell to men departing from Tehran for the battlefield with Iraq.

new battalions. The speaker of the Iranian parliament, Hojatollah Hashemi Rafsanjani, declared that there would be "a fateful offensive."

Last week, Iran announced that Revolutionary Guard commandos, joining Kurdish rebels from the mountains, had made several raids deep into northern Iraq. The Iranians said they had inflicted heavy damage on the major Iraqi oil installation at Kirkuk in one raid, but foreign journalists taken to the area from Baghdad reported having seen no signs that oil production had been blocked. The Iraqis announced that they had in-

creased their bombing runs on Iranian oil installations at Isfahan, Shiraz and Kharg Island. As usual, it was what one Western military expert calls a "war of communiqués," with little chance to get at the truth.

But there was speculation that the raids could be feints by the Iranians designed to keep the Iraqis off balance and force them to move their reserves to cover various regions, including the south, which is regarded as the most likely target for a major offensive. The target of an Iranian attack in the south would be the city of Basra, which was bombarded repeatedly last week, where the Iranians could set up a provisional Islamic revolutionary government. Another potential target could be the Shiite holy city of Karbala.

One theory held by some military analysts is that the Iranians may wait until the autumn rains so that the soft ground would impede the tanks and mechanized units favored by the Iraqis to the advantage of lightly armed Iranian infantrymen, who are so steeped in Shiite devotion that they have been known to arrive at the front carrying their own coffins and wearing plastic "keys to heaven."

While Iraq has, on paper, an overwhelming advantage in equipment, firepower and mastery of the skies, its troops, particularly in recent months, have been no match for spirited Iranians. The rival front lines are a study in contrasts. The Iraqis hunker behind massive, rather comfortable, static defenses. Their staff officers sit in underground offices furnished with rugs and fluorescent lights, staring at old American war movies on television. The Iranian front lines are a picture of chaos and dedication, with mullahs in their religious robes and turbans, rifles slung over their backs, bustling about on brightly colored motorcycles urging on the troops, many of whom wear martyrs' headbands.

The possibility of an Iranian success has spread concern through centrist Arab governments fearful of rising Islamic fundamentalism. "If there is an Iranian breakthrough, I would be very pessimistic," said a ranking official of a country supporting Iraq. "These Arab regimes would fall one after another, they are so fragile."

Charging Treason in the Cabinet



President Yoweri Museveni

## Crisis Roils Government In Uganda

By SHEILA RULE

**W**HEN President Yoweri Museveni of Uganda seized power nearly nine months ago, his takeover of this impoverished country raised hopes of security, political stability and strict concern for human rights in a nation that has suffered wave upon wave of brutish atrocities of ethnic and religious origin.

But enthusiasm has given way to caution as Mr. Museveni now struggles with the worst political crisis since he came to power, creating concern about the future of his fragile coalition Government and doubts whether stability and peace can soon find a niche in the historically chaotic political landscape of the East African country once terrorized by its leader, Idi Amin.

The crisis grew out of the indictment on treason charges of three Cabinet ministers and a former vice president, along with three high-ranking commanders in Mr. Museveni's army and other prominent Ugandans. The indictments came

against a backdrop of bloody rebellion in the north and mounting pressures in the south from members of the Baganda, Uganda's largest and historically dominant tribe, who want to re-establish their own independent monarchist state.

There were new charges last week that the Government of Mr. Museveni, who has vowed to protect human rights, was carrying out widespread arbitrary arrests and detentions.

Political specialists said the indictments seem to be directed mainly at three smaller political elements in the coalition Government, which is dominated by Mr. Museveni's National Resistance Movement. The indictments raised concern that the President might try to tighten his control by cracking down on minor groups and fashioning a government solely of political loyalists.

Charged with plotting to overthrow the Government were Paulo Muwanga, Vice President and Minister of Defense under President Milton Obote; Energy Minister Andrew Kayiira, who is leader of the Uganda Freedom Movement; Environment Minister David Lwanga, chairman of the Federal Democratic Movement, and Commerce Minister Avaristo Nyanzi, who is treasurer of the Conservative Democratic Party.

The former Vice President, the three ministers and some other prominent defendants are members of the Baganda tribe. Mr. Museveni, who is against tribalism, has engendered the hostility of some of Uganda's three million Baganda — one quarter of the population — over his reluctance to restore hereditary kingdoms.

Amid the latest problems, Mr. Museveni now faces charges from a prominent Ugandan human rights group that his Government, which has strongly condemned past atrocities, is guilty of gross human rights abuses. The Star, an independent newspaper in Kampala, seemed to speak for many Ugandans in a recent editorial.

"Whether the accusations against these people are true or not," the newspaper said, "we feel an urgent need to remind our leaders that the ordinary man prefers peace and security to the conflict of who rules."

# The Nation

## Washington Puts A Large Tariff on Canadian Lumber

Reversing itself, the Reagan Administration decided last week to impose a substantial tariff on construction lumber from Canada, the nation's biggest trading partner.

The decision is preliminary, but this week importers must begin posting bonds covering 15 percent of the \$3 billion worth of Canadian lumber they handle annually. The National Association of Home Builders said it expected lumber prices to rise.

Three years ago, American lumber companies urged the Commerce Department to impose a tariff, saying the Canadian Government subsidized its lumber industry. The department found then that the assistance did not amount to a subsidy under international trade laws.

But the Canadian share of the United States' softwood market has risen to about one-third, and the domestic industry remains depressed. With Election Day near, Republicans in the Northwest and South have been pressing for relief.

In announcing the 15 percent duty, the Administration said it had found "new facts" about trade-law violations. Among other things, it said the provinces of British Columbia, Ontario, Alberta and Quebec help lumber companies by adjusting fees for the harvesting of public forests.

United States companies, which employ 30,000 workers, said they would lobby for an even higher tariff in the final ruling, expected Dec. 30.

But negotiations on raising the price of Canadian lumber exports could still lead to a truce. While Canada's Trade Minister denied that its forestry industry was subsidized and promised to "fight this all the way," Canada did not indicate that it would retaliate with duties on United States goods, as it has in the past.

## A New Attack On Death Penalty

In the decade's broadest challenge to the death penalty, the evidence is statistical but the allegation profound: that Georgia punishes killers of whites more harshly than killers of blacks.

Arguing before the Supreme Court last week, John Charles Boger, the top specialist on the death penalty for the NAACP Legal Defense and Educational Fund Inc., cited a study showing that "Georgia sentences the killers of its white citizens to death at a rate nearly 11 times the rate at which it sentences killers of its black citizens." Seven Georgians, all but one of them black, have been executed; all of them killed whites. This was not "a statistical fluke or aberration," Mr. Boger said, but a "cen-

who interrupted a 1978 Atlanta robbery. Several Justices indicated skepticism about Ms. Westmoreland's argument that statistical evidence could almost never be used to show discrimination in death sentencing because each case was "unique."

Opponents of the death penalty hope that if the Supreme Court accepts Mr. Boger's argument, it may save hundreds of the 1,788 people on death rows nationwide. If the Court does not agree, they acknowledge, they may have run out of broad legal challenges to death penalty laws.

## People Express Sale Moves Ahead

When it agreed last month to be acquired by Texas Air Corporation, People Express Inc., the prototypical "no-frills" airline, was flying planes half-full, and losses were rapidly mounting. Having led the way to lower fares, leaner costs and aggressive competition, People fell victim, at least in part, to its own success.

Indeed the Transportation Department said last week that People was in such financial trouble that the purchase was unlikely to reduce competition. The department tentatively approved the acquisition, even though it would give 20 percent of the national airline market to Texas Air. The holding company won Federal approval last month for its purchase of Eastern Air Lines Inc., and its president, Frank Lorenzo, was named chairman of Eastern last week.

The deal between People and Texas Air still faces several hurdles in Washington; for example, the Transportation Department must still decide whether competition will be harmed if Texas Air acquires the assets of a People unit, Frontier Airlines Inc. Late last week a Denver bankruptcy court cleared the \$158 million purchase of Frontier, which has been shut down since Aug. 24.

When it began in 1981, People was a bold experiment. Its tickets, as much as 60 percent cheaper than those of major airlines, brought it passengers who had previously driven cars, ridden buses or stayed home. By paying modest salaries and requiring that employees perform a wide range of tasks, People kept its costs low. All employees were required to buy at least 100 shares of stock in the airline, giving them a stake in its success.

For several years, that success was heady. From three used 737's shuttling between Newark and a few small cities, People grew into the nation's fifth largest carrier, with 200 planes flying to 150 destinations. Analysts are now saying that the swift expansion, especially the buying of Frontier, was largely to blame for People's multimillion-dollar losses this year. Beyond that, People's competitors — chief among them Texas Air — found ways to match its fares while offering better service.

## Fueling Approved At Seabrook Plant

Citing its ruling on the Shoreham nuclear power plant on Long Island, the Federal Government gave permission last week for New Hampshire's Seabrook plant to load radioactive fuel and begin low-power tests.

In both cases, state and local officials have refused to participate in planning for an emergency evacuation of residents within 10 miles of the plants, saying that many people would not have enough time to escape radiation.

In the case of Seabrook, however, it is not the plant's own state that objects, although Paul McEachern, the Democratic candidate attempting to defeat Gov. John Sununu, is campaigning hard against "going down that nuclear road." So far the official objections have been from Massachusetts, which has six towns and a popular stretch of coastline within 10 miles of Seabrook. Last month Gov. Michael S. Dukakis said he would refuse to submit emergency plans in an effort to keep the plant from starting up. He said his decision had been influenced both by the nuclear accident last April at the Chernobyl power plant in the Soviet Union and by recent studies of potential dangers at the Seabrook facility.

In granting the Seabrook license, an appeals panel of the Nuclear Regulatory Commission said the full board ruled in December 1984 that Shoreham could go ahead with fueling without a state-approved plan. The Long Island plant is fueled, and its operators say it is ready to run at full power, but it does not yet have a commission license for that.

Massachusetts promised to appeal the Seabrook ruling, but the reactor's operator predicted that it would prevail. "Seabrook station is probably the safest nuclear power plant that has ever been built," said Edward A. Brown, president and chief executive officer of New Hampshire Yankee.

Martha A. Miles and Caroline Rand Herron

## Sham Marriage and Other Residency Ruses Increase



Jubilant House and Senate conferees congratulate one another after agreeing on immigration bill last week. They are, from left, Representatives Romano L. Mazzoli and Charles E. Schumer, Senator Alan K. Simpson and Representatives Peter W. Rodino Jr., Dan Lungren and Hamilton Fish Jr.

## In Bureaucracy, Aliens Find Another Unprotected Border

By ROBERT PEAR

THE conventional photograph of an illegal alien shows a person wading across the Rio Grande. To be sure, tens of thousands do so, but there are more sophisticated ways to short-circuit the immigration process.

Moving against one such method, the House of Representatives voted late last month to increase Federal penalties for foreigners who use sham marriages with Americans to gain entry to the United States. The bill, which has many supporters in the Senate as well, is separate from the landmark legislation Congress sent to the President late last week, overhauling the nation's immigration law and prohibiting the hiring of illegal aliens. But the measures have the same basic purpose: to bar foreigners who are not entitled to be in this country.

The Census Bureau estimates that 3 million to 5 million aliens live here illegally, though others put the figure much higher. Many of the aliens entered the country legally as visitors or students and simply stayed. Most would be deportable if the Government could find them.

But a marriage to an American citizen automatically makes an alien eligible for the legal status of a permanent resident, because the unification of families has long been an overriding goal of American immigration policy. The number of aliens who gain permanent residence this way has increased dramatically, from 87,221 in 1981 to 124,093 in 1985, and it is expected to reach 140,000 this year. The Immigration and Naturalization Service estimates that 30 percent of the petitions filed in such cases involve marriage fraud.

"In some cases, a U.S. citizen is party to the sham marriage," said Representative Romano L. Mazzoli, Democrat of Kentucky. "In others, a U.S. citizen enters the marriage in good faith, only to find out later that he or she has been cruelly duped by a person who wanted no marriage,

### Some who got in

Immigrants who have gained permanent resident status in the United States through marriage, as a result of professional or creative ability or by providing skilled or unskilled labor that is in short supply. (fiscal years)

	Marriage	Professional and creative ability	Skilled and unskilled labor
1981	87,221	8,103	11,873
1982	99,268	11,981	12,041
1983	107,349	12,338	12,708
1984	111,683	10,891	11,393
1985	124,093	10,847	11,425
1986	140,000*	10,000*	11,300*

\*estimate Source: Immigration and Naturalization Service

but permanent residence in the United States." Sam Bernsen, a lawyer who worked at the immigration service for more than 35 years, said: "Marriage to an American citizen cures many immigration problems. You don't need to wait for a visa number, you don't need a labor certification, and sometimes you can even get waivers of inadmissibility for such things as a criminal conviction."

Immigration officials also suspect extensive fraud in papers filed by employers and aliens seeking immigrant work visas. Project Strongtree, an investigation in progress for more than a year, has found that employers purporting to need foreign workers sometimes did not exist or were shell companies established only to obtain the labor certification needed for a visa. In other cases, immigration officials said, the company existed but the job was phony.

Employers often show help-wanted advertise-

ments to demonstrate that American workers were not available, a condition the law requires. But sometimes the job descriptions were tailored to the qualifications of a specific alien, or the ad was written so as to discourage Americans applicants. "We see all kinds of convolutions, manipulations and creative writing," said John F. Shaw, assistant commissioner of the immigration service in charge of investigations.

But Federal investigators are swamped with work, so fraudulent petitions of all kinds — more than 40 types of applications and petitions can be filed by or on behalf of aliens — often go undetected. Since 1975, according to I.N.S. officials, the number of petitions the agency acted upon rose 40 percent, to almost 2.2 million this year. In the same period, they said, the number of investigations declined 29 percent, to 700. Congress approved a substantial increase in the agency's budget for 1987.

Even when immigration officials suspect fraud, they often have difficulty proving it. To win a marriage fraud case, for example, the Government must show that an alien intended to circumvent the law at the time of the marriage. Under the House bill, aliens could still become permanent residents by marrying Americans, but if a marriage ended within two years the Government could revoke the alien's status and begin deportation proceedings.

Whether they entered the country legally or illegally, aliens often prolong their stays by using fraudulent birth certificates, drivers' licenses or Social Security cards, according to immigration officials. In Texas and other Southwestern states, such documents are readily available for a small price. The comprehensive immigration bill Congress approved last week sets new penalties, including a \$2,000 fine and two years' imprisonment, for aliens caught using false identification.

But the lure of America's prosperity and freedom is so great that officials expect to see many ingenious types of fraud designed to circumvent the new restrictions.

## The South Secedes From 19th Century

## Updating Dixie's Old Constitutions

By WILLIAM E. SCHMIDT

SINCE it was adopted in 1890, the Mississippi Constitution has aged poorly, swelling over the years from 57 pages to more than 360, counting annotations, indices and all 85 of its amendments.

Like that of other Southern states, the Constitution was shaped in the heat of the post-Reconstruction era and reflects its rural farmers' distaste for corruption and distrust of big business. Its text is littered with language the Federal courts long ago rendered irrelevant, such as clauses that mandate the separation of blacks and whites. Other articles seem merely ludicrous today: Section 135, for example, stipulates that the Governor is to visit the State Treasury twice a year, unannounced, to count the money.

To Gov. William A. Allain, among others, the Mississippi Constitution is more than just an anachronism: It is a living threat to Mississippi's economic growth and development. The Governor named a 350-member commission to draft a new Constitution for the state, which has long ranked last nationally in such measures as per capita income, literacy and teacher pay.

"One of the main purposes of this exercise," said J.P. Coleman, the commission's chairman, "is to serve notice on the United States and all concerned that the State of Mississippi has drawn a new constitutional blueprint that will allow us to face the future instead of hanging on to the past."

The commission's proposals, nearly complete, reflect the changing South, as do similar debates elsewhere in the region. Georgia, Florida and Louisiana have adopted new Constitutions over the last 18 years, and Alabama, South Carolina, Virginia, Arkansas and Texas have all grappled with reform. "In a sense," said Janice C. May, a professor of government at the University of Texas, "the South is just sort of rejoining the country, in terms of modernizing its government."

Mrs. May said that just as scholars can tell by the old Constitutions what bothered Southerners



The Clinton-Ledger/J.D. Schwab  
Former Governor J.P. Coleman holding handwritten 1890 Mississippi Constitution.

near the turn of century, the new Constitutions reflect contemporary concerns in expanding the authority of the Governor and consolidating courts or agencies. What is commonly wanted is not only a more efficient governmental structure, but also one that will be more flexible, able to move quickly in enacting tax and business incentives to help the state compete with its neighbors in attracting industrial development.

Under Mississippi's present Constitution, which strictly limits the authority of the Govern-

nor, a large part of the state machinery fell into the hands of either the Legislature or a vast and often slow-moving bureaucracy of 200 boards and commissions. To remedy this problem and others, Mr. Allain's Constitution Study Commission recommended that many commissioners and judges be appointed, rather than elected; that the size and authority of the Legislature be reduced, and that the Governor be given a stronger role in shaping the budget and the right to run for consecutive terms. The last measure is also on the ballot next month, as a proposed amendment to the existing Constitution. In a compromise, the commission agreed to relax an ethics provision that, if strictly interpreted, could force the resignations of as many as 750 state officials because of potential conflicts of interest.

"The only reason the old Constitution has survived to this point was because everyone obeyed the parts that suited them and left alone the parts that didn't," said Mr. Coleman, a former Governor and retired Federal appellate judge. "It was as if the basis of state government has been: What's a Constitution among friends?" The commission will give the Governor its final recommendations this fall; Mr. Allain intends to ask the Legislature next spring to call a convention to draft a new Constitution.

Mr. Coleman, who as Governor narrowly failed in an effort to call a constitutional convention in 1957, concedes that some lawmakers and local officials may resist the changes. "But as I traveled around the state these last months," he said, "I could feel a strong public desire to get on with it."

Brad Chism, an aide to Mr. Allain who served as executive director of the study commission, said the stake in constitutional reform has risen in recent years. Because of Federal spending cuts and the decline of farming and manufacturing, the state has found itself under increasing economic pressure. "There is a need to be more innovative and encourage more private-sector economic activity to increase our tax base because the Federal pipeline is going dry," said Mr. Chism. "If we are going to reach our full potential, we've got to remove the artificial constraints to modernization that are in the Constitution."



United Press International  
John Charles Boger outside the Supreme Court last week.

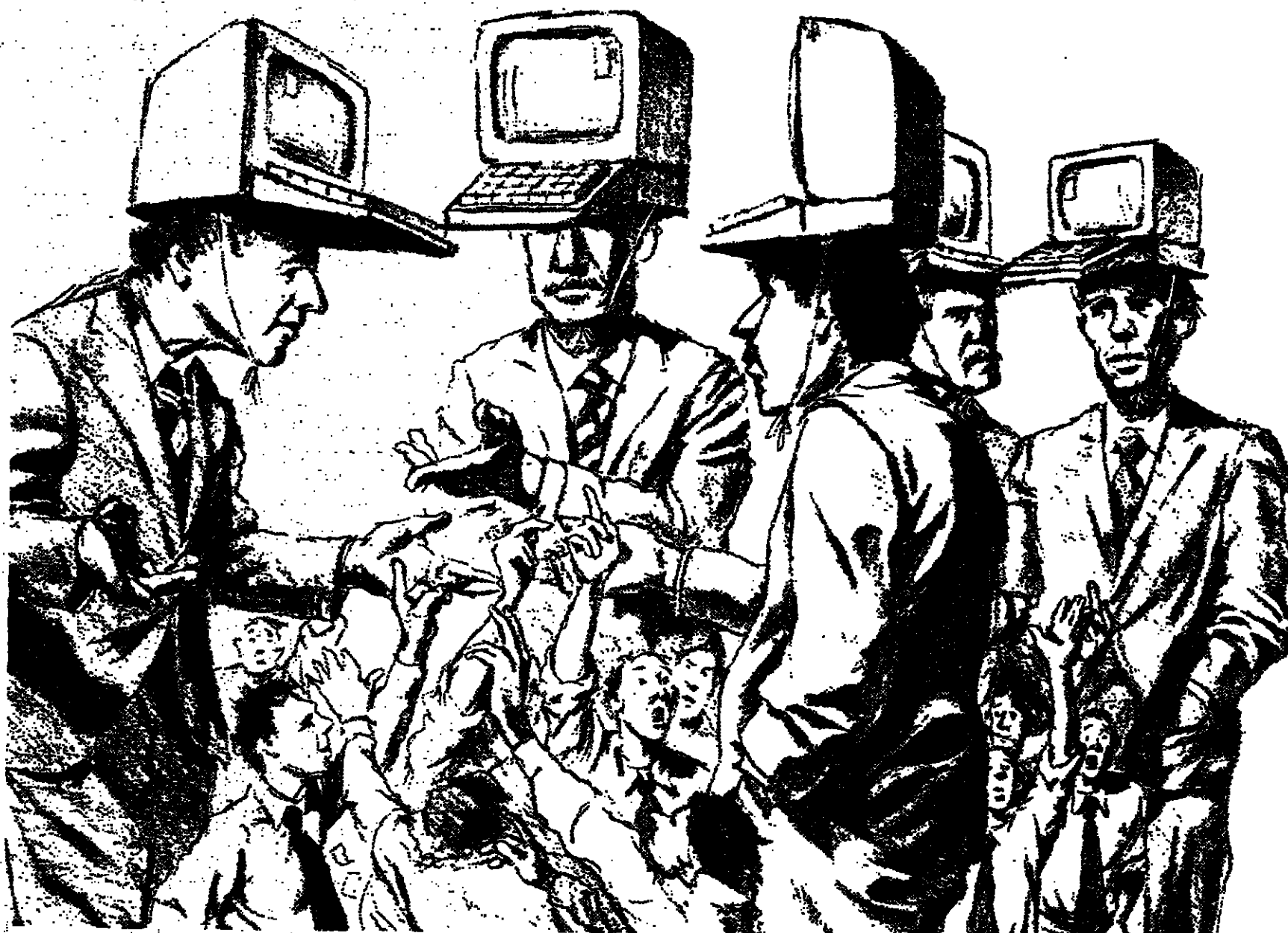
tury-old pattern" recalling the overt discrimination of the slavery era. He said it was strong evidence that Georgia's sentencing process was infected by racial discrimination and was thus unconstitutional.

The state argued that the numbers reflected qualitative differences in murder cases, not discrimination. Mary Beth Westmoreland, an assistant attorney general, said blacks are more likely to be murdered in "family disputes, lover disputes" or barroom brawls, while white murder victims are more likely to die in situations, such as robberies, that evoke "moral outrage." The state did not present any statistical studies of its own.

Both sides underwent some sharp questioning. Chief Justice William H. Rehnquist suggested that to win his case, Mr. Boger would have to prove intentional discrimination by the "particular jury" that sentenced Warren McCleskey, a black man, to die for killing a white police officer



# Wall Street's Tomorrow Machine



Mark Gottbaum

By DAVID E. SANGER

ONLY 18 years ago, a sudden swamp of orders — upwards of 16 million shares a day — forced the nation's major stock exchanges to close every Wednesday, for weeks, to catch up on paperwork. Today, with computers ubiquitous on Wall Street, the New York Stock Exchange alone handles 10 times that trading volume with ease.

Now, after two decades of electronic evolution, Wall Street's computers are far more than mere pencil pushers. They have been turned to an array of unexpected uses that have fundamentally changed the world's investment patterns.

They have permitted the creation of new financial instruments, includ-

ingly negative: There were few complaints when program trading apparently triggered the 31 point rise in the market last Wednesday.

Still, there are rising concerns, including some from Federal regulators, that computers may be doing more than accelerating what comes naturally. By making possible instantaneous analyses of a crush of data about short-term market aberrations, a raft of new hardware and software has drawn institutional investors into trading patterns that have little to do with fundamental values of companies or prospects for the economy.

And that, in turn, has meant a frenzy of short-term trades that some experts, though hardly all, believe has created significantly more volatility. Along the way, individual investors

James Beniger, a University of Southern California expert on computers and control systems, "is that people will begin to write programs that seek to anticipate the decisions that other computers will suggest. It's just market psychology, one step removed, and one more step away from direct human control."

Such suggestions anger traders at the brokerages that make the broadest use of computer technology, like Salomon Brothers. "There is no computer, no program on Wall Street or anywhere else that buys and sells," argues Louis I. Margolis, managing director of Salomon Brothers Inc., as he stood in the firm's chaotic trading room the other day. "Nothing is going to replace human judgment."

Few of the computer-assisted trading techniques are new. But in the past, they were never widely practiced, largely because by the time the calculations were done, the market opportunity was long gone. No more. Program traders, usually armed with little more than an I.B.M. PC-AT, a Lotus spreadsheet — and, of course, a huge amount of money to trade with — now can translate theoretical profit opportunities into highly lucrative trades.

"What's different now is volume and speed," notes Mr. Brodsky. "The idea of buying the entire S&P 500 in two minutes, in the right proportions or something that simulates it, is something no one dreamed of before. And that, of course, can change the nature of the market."

A few individual traders switching funds between equities and stock index futures, or using any of the other program trading techniques, would barely move the market at all. But because profit margins on program trades are usually slim, the program traders must move millions of dollars at a time to make it worthwhile. Thus, the execution of many program trades at once, all seeking to exploit the same opportunity, can

stocks. Calculating those differentials in their simplest form can be done on the back of an envelope, without benefit of a glowing screen and fancy software. But by linking computers directly to "real-time" information services, traders can have their own positions recalculated instantly — and can be alerted to any opportunity when it might make more sense, for example, to trade equity holdings for future holdings.

Simultaneously, there are programs that can work out the most expeditious way to "hedge" a portfolio, insuring it against sudden market declines. And there are programs that make it possible to figure out how to minimize transaction costs by selling a relatively small representative group of the S&P 500, or how to unwind a position in some stock without depressing the market.

Obviously, as the techniques get more complex, computers become indispensable. "Arbitrage is basically a mathematical game," said Professor Light, "and thus a game that computers are very good at."

Meanwhile, the raft of programs — starting with Lotus 1-2-3 and working up to far more specialized software for particular trading purposes — allows traders to ask the natural question: "What if?" With the press of a button, they can compare the advantages of innumerable investments. Each choice, of course, carries a different transaction cost. It is generally cheaper to trade in the futures markets, for example, than in equities, but under some conditions it might be cheaper still to simply wait awhile, putting part of the portfolio in a risk-free instrument like a Treasury bill.

Perhaps lost to history, in the midst of all this technological flurry, is the rise of the phrase "program trading." Wall Street traders flinch at those words, fearful that they conjure up images of machine-run markets, the financial world's answer to a launch-on-warning nuclear policy.

Hard-liners like Mr. Margolis of Salomon even dislike the less intimidating wording of "computer-assisted trading." Says he: "There are chips in the dashboard of your car. Is that computer-assisted driving? Of course not."

The difference, other experts argue, is that the dashboard chips do not yet suggest the routes a driver could take to reach a specific destination. Some trading programs do, though not explicitly. Still, the final judgment is in the hands of the human trader. The computer could warn of an aberration between S&P 500 futures prices and the price of the underlying basket of stocks, yet an experienced arbitrager could realize that the opportunity to exploit that difference is so brief that it would be gone by the time a trade is made.

"There are a lot of human judgments to be made," said Mr. Barbanell of Gruntal & Co. "Technically, it would be possible to have the computer execute these trades for you, but you might not like the result."

A consensus is emerging that, as the importance of networks that link buyers and sellers increases, the importance of the exchange floors will diminish. "We are talking about an age where the stock market floor and the Chicago pits are a dinosaur. Trading off a screen creates a real, free-flowing marketplace" where everyone can participate, said Mr. Barbanell.

More debatable is the question of whether computer-assisted trading encourages volatility. Many argue that it does, particularly the buy and sell programs used in stock index arbitrage. The baskets of stocks are usually very large, involving several hundred different securities worth millions of dollars.

But it does not follow that the markets are necessarily more volatile, at least in the long run. In fact, sometimes a program trade narrows the gap between two markets.

# The Economy

## WEEK IN BUSINESS

## Big-Time Blues At Big Blue

I.B.M.'s earnings dropped 26.5 percent in the third quarter, to \$1.08 billion, on a tiny increase in revenues. The big computer manufacturer, which had been sending signals of gloom for months, blamed the drop on slumping sales abroad and at home. The company's stock price already depressed in anticipation of the earnings report, hit a low of \$119.75 after the earnings report. Although the chairman, John F. Akers, tried to play down the dismal performance, most analysts said they do not expect Big Blue to recover before the end of the year, especially because after-tax margins are dropped.

Retail sales jumped 4.6 percent in September, their best showing since the Government started tracking them 20 years ago. But since the biggest boost came from auto sales, many analysts warned that the figures were misleading. ... But housing starts plunged 7.6 percent, dropping to an annual rate of 1.68 million units, its lowest rate in a year. ... Industrial production inched up one-tenth of 1 percent in September, but industry was operating at just 79.2 percent of capacity, unchanged from August. ... Business sales rose four-tenths of 1 percent, but inventories held steady.

Stocks had a sharp spike midweek on a slight drop in bond prices that was spurred by the rise in retail sales. A 31.49-point rise in the Dow Jones industrial average on Wednesday was the best one-day gain since Sept. 4. The Dow ended the week up 43.87 points at 1,837.04. Bond prices rose slightly overall.

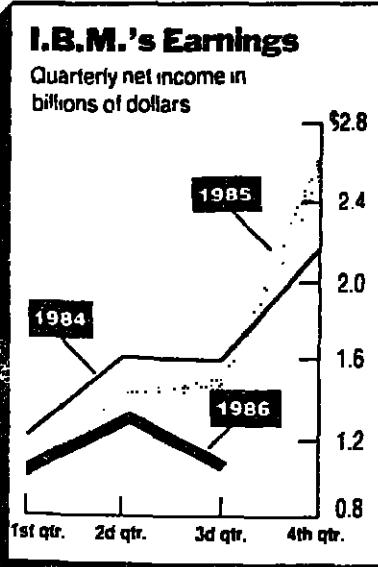
BankAmerica will reject the \$2.8 billion takeover bid from First Interstate, A. W. Clausen, the new chairman and chief executive, said. But he did not rule out a sale of the big bank — eventually. Mr. Clausen, appointed to replace Samuel H. Armacost, who was toppled by the First Interstate bid, said he returns to BankAmerica in hopes of turning it back around.

A 15 percent tariff on Canadian lumber was imposed by the United States, which claims that Canada unfairly subsidizes its lumber exports. The tariff is the largest imposed in more than 20 years.

Shearson offered to buy E.F. Hutton for \$1.5 billion in a friendly deal, sources on the Street said, but Hutton was not listening. Its stock price has been active in recent weeks on takeover rumors, and some analysts expect it to soon entertain an offer.

The F.D.I.C. will sell about 30 percent of its stake in Continental Illinois, seeking to recoup some of the \$4.5 billion it spent to rescue the big bank two years ago. Continental's earnings have been steadily improving since the bailout: for the third quarter, it earned \$41.1 million, up from \$35.8 million in the 1985 quarter.

The sale of People Express to Texas Air has received tentative approval from the Transportation Department. And Texas Air made a good-faith gesture to People, providing \$10 million of the \$13.4 million interest payment People had to make.



A last-minute surprise \$160-million bid for Frontier by a group of investors was quickly withdrawn, moving Texas Air closer to its Frontier deal.

Frank Lorenzo took charge at Eastern, becoming chairman of the airline his Texas Air just acquired.

Petro-Lewis and Freeport McMoran agreed on a plan under which Petro-Lewis will file for Chapter 11 and Freeport will take it over after the filing.

Another CBS executive departed in the continuing shake-up at the broadcast and publishing company. The latest victim was Peter A. Derow, president of the Publishing Group. And 14 members of his staff are also leaving. Mr. Derow's departure had been rumored in the wake of the installation of William S. Paley and Laurence A. Tisch at the company's helm.

OPEC members continued to talk about ways to limit oil supplies, but the longest session in years resulted in little more than new splits in the group. There were some signs of a production-sharing agreement, but many analysts doubted it would ever be completed.

## Computers are kicking up a furor as they transform the way the financial world bets its money.

ing stock index futures and options, now traded heavily every day in Chicago. They have brought volumes of information to investors, often more data than even professional traders can absorb. And, through links to overseas exchanges, they have led to round-the-clock trading, and made it possible to swap funds instantly from equities to futures, and from exchange to exchange.

Even the worst computer phobes concede that, by now, the computer is a Wall Street fixture, as a tool — and as a counselor. "People who hoped to see the likes of HAL, from the movie '2001,' running Wall Street will be disappointed. But there is software on the drawing boards that may help computers not only spew forth data but reason out trading strategies.

The use of computers to detect, and sometimes inspire, all kinds of profitable trading opportunities is just the latest example of the way a technology brought in to solve one problem can dramatically change an entire industry. And as in other such cases — the way atomic energy affected electric utilities, or the way the laser has transformed military electronics — the price tag on the progress is only now becoming evident.

A growing number of financial experts — to say nothing of jittery small investors — accuse computers of having created a market that is virtually run by machines. And they point to days like Sept. 11, when the Dow Jones industrial average plunged more than 86 points, as proof that such computer-aided approaches as program trading, which involves instantly swapping long lists of stocks, futures and options to take advantage of temporary price disparities, set off wide and chaotic market swings.

Proponents of computer-assisted trading say that by allowing investors to act on market-moving news far more quickly and effectively, computers have engendered fairer, more efficient markets. "By and large the technology just speeds up what people have done before, causing the markets to react much more quickly," said William J. Brodsky, president of the Chicago Mercantile Exchange, the main trading place for stock index options and futures.

Others note that if the acceleration has created temporary market spasms, more technology may solve that problem, too. The price swings really are rooted in the differing expectations of traders looking at different data, they say, and thus will become far less frequent as financial exchanges across the world become more tightly linked.

And even the swings are not en-

tirely negative: There were few complaints when program trading apparently triggered the 31 point rise in the market last Wednesday.

Still, there are rising concerns, including some from Federal regulators, that computers may be doing more than accelerating what comes naturally. By making possible instantaneous analyses of a crush of data about short-term market aberrations, a raft of new hardware and software has drawn institutional investors into trading patterns that have little to do with fundamental values of companies or prospects for the economy.

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create such an impact that the market does not have a chance to self-correct. "Program trades can have a snowballing effect, and investors can be taken for a rough ride," said Jack A. Barbanell, director of futures trading at Gruntal & Co. Inc. in New York. Of course, Mr. Barbanell and others point out, technology by itself is neutral. It is widely available, and its continued wide use is inevitable. But it will always be the users, not the machines, that create the stabilizing or destabilizing effects.

What fostered all this was the markets themselves, and the growth of derivative instruments: Futures, options, options on futures," notes Jay Light, a professor of finance at Harvard Business School. "That's what created the opportunity that people exploit with the technology."



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## A Nobel Mix



The winner of the Nobel Memorial Prize in Economic Science, James M. Buchanan, has combined economics and politics in unorthodox ways.

In developing his public choice theory, an attempt to explain the economic reasons behind political decisions, Mr. Buchanan risked the wrath of both disciplines. Described by colleagues and former students at George Mason University as a serious, dedicated but intimidating scholar, Mr. Buchanan will, with the prize, likely gain loyalty and legitimacy in skeptics' eyes.

The New York Stock Exchange				
MOST ACTIVE STOCKS				
WEEK ENDED OCTOBER 17, 1986				
(Consolidated)				
Company	Sales	Last	Net Chng	
USX	12,833,300	26	- 1/4	
AT&T	11,273,500	24	+ 1/4	
IBM	11,159,200	121 1/2	- 1/4	
P S Ind	9,580,900	18	+ 3/4	
Goodyear	9,198,200	41 1/4	+ 6	
Am Hes	7,648,500	26 1/4	+ 1 1/4	
NYSE	6,726,500	31 1/4	- 1/2	
Hut E F	6,439,500	45 1/4	- 1/4	
Ald Str	5,393,000	66 1/4	- 1/4	
Mobil	5,259,600	37 1/4	- 1/4	
Pacifi	5,050,100	34 1/4	- 1/4	
Ch Wst	4,927,500	20 1/4	- 1/4	
Dow Ch	4,724,900	53 1/4	- 1/4	
Coca Cl	4,662,700	38 1/4	+ 2 1/4	
Bnk Am	4,583,000	14	- 1/4	
MARKET DIARY				
	Week	Week	Prev.	
Advances	1,189	1,123		
Declines	721	800		
Total Issues	2,179	2,177		
New Highs	113	80		
New Lows	54	66		
VOLUME				
(P.M. New York Close)	Week	Week	Year	
Total Sales	597,146,840	28,072,061,084		
Some Per. 1985	553,845,362	21,259,298,941		
WEEK'S MARKET AVERAGES				
	High	Low	Last	Chng
New York Stock Exchange				
Indust	158.0	154.8	157.5	+2.40
Transp	121.5	119.6	120.0	+0.25
Util	72.8	72.6	73.5	+0.59
Finance	145.9	143.2	144.6	+1.20
Composite	138.0	135.2	137.4	+1.78
Standard & Poor's				
	Sales	Last	Net Chng	
400 Indust	266.2	259.4	+4.32	
20 Transp	203.0	199.4	+0.06	
40 Util	111.3	109.5	+0.50	
40 Finance	21.9	27.1	+0.25	
500 Stocks	240.1	234.3	+3.36	
Dow Jones				
	Sales	Last	Net Chng	
30 Indust	1852.6	1781.5	+43.87	
20 Transp	843.3	817.1	+0.25	
15 Util	203.2	196.7	+2.88	
65 Comb	735.1	709.2	+11.28	
The American Stock Exchange				
MOST ACTIVE STOCKS				
WEEK ENDED OCT. 17, 1986				
(Consolidated)				
Company	Sales	Last	Net Chng	
Wickes	2,445,500	4 1/4	- 1/4	
TexAir	2,276,000	34 1/4	+ 1/4	
BAT	1,256,400	8 1/4	- 1/4	
Wang	1,133,800	12	- 1/2	
HmeSh	1,079,500	36 1/4	- 2 1/4	
Echo	1,020,800	21 1/4	- 1 1/4	
HmHar	1,010,900	18	- 1/4	
TIE	1,005,500	3 1/4	- 1/4	
Amdahl	860,500	20 1/4	+ 1 1/2	
Hasbr	788,800	25 1/4	- 1/4	
MARKET DIARY				
	Week	Week	Prev.	
Advances	354	386		
Declines	332	361		
Unchanged	174	176		
Total Issues	920	923		
New Highs	23	22		
New Lows	48	40		
VOLUME				
(P.M. New York Close)	Week	Week	Year	
Total Sales	37,782,950	2,411,366,874		
Some Per. 1985	38,646,980	1,597,371,346		



# The New York Times

Founded in 1851

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## Freedom Day

They'll start lining up at dawn next July 1, outside a church basement here, a courthouse there. Hundreds of thousands of illegal aliens, most of them Hispanic, will wait patiently to accept America's offer of amnesty. That's the reform part.

At about the same hour, Border Patrol teams will roll up to factories and farms where other illegals are thought to work. They won't stop with apprehending the workers. For the first time, they'll have hard words for the boss — hard words that will, after a warning period, be followed by stiff penalties. That's the control part.

Reform and control: They are the core of the immigration law that Congress has just wearily passed. It is worth welcoming just for the blow it deals to 35 years of hypocrisy in law. It's worth embracing for the control, and fairness, it brings to immigration.

Almost 35 years ago, Texas legislators muscled something called the "Texas proviso" into law: Illegal aliens were forbidden to work but employers were not forbidden to hire them. To employers this has meant, Forget the law. You'll still get your cheap labor. To Mexicans who earn \$5 a week, jobs at \$5 an hour have constituted a money magnet. The illegal tide keeps rising.

Over four years, the reform measure bill faced a hundred hurdles. The bill spelled Big Brother, critics once said. How were alien workers to identify themselves? Americans would all need, horrors, an identification number! In time, it dawned on Congress that all Americans already have one, and

gladly provide it — to insure that their Social Security accounts will be properly credited.

Hispanics feared discrimination because employers would reject anyone who even looked Hispanic. In time, the illogic of that sank in. If an employer had to ask for identification, that was a protection against discrimination.

Growers presented the biggest obstacle. While some exploit alien workers, all have valid reason for worry. When the peaches are ripe, a grower needs pickers right now. Representative Charles Schumer, Democrat of Brooklyn, shrewdly recognized the need to address their concerns directly. With painful, patient effort, he sewed together special provisions for farm labor. When others were quick to pronounce the bill dead, his energy kept the bill breathing.

The new law won't work miracles but it will induce most employers to pay attention, to turn off the magnets, to slow the tide. That's why this legislation won such wide support, most notably from Senator Alan Simpson of Wyoming. Ten and 20 years from now, when the children of Freedom Day hear his name, they'll think grateful, noble thoughts.

To undo the Texas proviso is to do justice. To legalize aliens already here is to undo hypocrisy. To close the back door against the illegal tide that so tries public patience is to offer fairness to millions waiting around the world for legal entry. By doing all this, the Immigration Reform and Control Act of 1986 does honor to America.

## In the Real World, With the Bomb

It's either visionary or kooky for leaders to talk the way Ronald Reagan and Mikhail Gorbachev talked in Iceland. How should the world react when all the rules of summitry and arms control are broken: With delight at the amazing agreements almost achieved? With despair that the glass remains half empty? Or with unvarnished uncertainty about the unknown world that the two leaders dared contemplate?

Now that the parties have come back down to the real world, the most likely answer is some of each. The most promising prospect is to work toward keeping as much as possible in the glass.

As for the delight, the summit meeting unquestionably opened amazing new vistas. Whether the visions survive, that they were even opened may do wonders for the pinched spirit that has long shrouded arms control negotiations. Nothing makes dreams come true like believing they may be possible. And there is good reason for optimism.

Even before the summit, more progress had been made on arms control in six months than in the six prior years. The two sides had already moved closer on several areas of disagreement and moved closer still in Iceland. Soviet concessions on medium-range missiles in Asia, a phased approach to a test ban and apparent agreement on a formula for strategic-weapon reductions — all of it raises hopes for the formal arms talks in Geneva.

As for the despairing reaction, it concerns the President's adamant refusal to accept any limits on his Strategic Defense Initiative. Yet even this intransigence may loom larger than life. Despite the leaders' raised voices, this need not be a live-or-die matter. A sensible compromise on the antiballistic missile treaty seems visible here. It lies between

the apparent Soviet demand in Geneva to prohibit all but laboratory research, and the Administration's insistence on reading most restraint right out of the treaty.

Until the President explains why limiting S.D.I. to the laboratory would eviscerate the program, some such limit seems a reasonable price for so much progress. The Americans could proceed with a strong research program, ample to fulfill Mr. Reagan's stated goal: to determine whether an antiballistic missile defense is achievable. And the Russians would win assurance that this, not a new race for superiority, is truly the goal. It's tantalizing to think, after Iceland, of the doors that such a compromise could open:

□ Elimination of Soviet and American medium-range missiles from Europe and reduction of Soviet medium-range missile warheads in Asia. This is a goal primarily of political significance, the more so now that such staunch U.S. allies as West Germany and Great Britain face elections in which American nuclear weapons figure prominently.

□ Progress toward a comprehensive test ban treaty by phases.

□ The reduction of strategic arsenals. The leaders discussed deep cuts at Reykjavik, 50 percent over five years. Here is momentum that would be truly tragic to lose. With fewer missiles, the sword would still hang over the world, but by a thicker thread.

The promise of goals like a missile-free world glows far beyond. They are surely worth contemplating, but only as Soviet-American relations warrant and only once everyone — allies, Wise Men, the scientific community — can assess the dangers. In the real world, meanwhile, once the parties relax their post-summit posturing, there's practical work to be done.

## In the Reagan World, With No Missiles

President Reagan has a vision. He believes in a world with no ballistic missiles and with the insurance of defenses against them. So far, few people have taken that vision seriously. The chaos of Reykjavik forces attention toward the radically different world to which the President seems determined to lead. What's the best case that can be made for it? How might we get from here to there?

In Mr. Reagan's vision, each side would retain nuclear weapons, but they would be carried only on bombers and slow air-breathing cruise missiles. Presumably each side would have air defenses against these weapons, and a strategic defense system as insurance against the other side's having concealed a cache of ballistic missiles.

That might indeed make for a stabler structure of nuclear deterrence. Bombers and cruise missiles would take up to six hours to reach their targets, compared with the 25-minute flight time of strategic ballistic missiles. The urgency to pre-empt an adversary in crisis by striking first would be considerably lessened. There would be time to insure that enemy bombers were definitely en route.

Mr. Reagan's vision would eliminate the most dangerous single feature of today's nuclear arsenals — the Russians' vulnerable, multiwarheaded missiles. For the Soviet Union, an American S.D.I. in Mr. Reagan's world would pose no special disadvantage since neither side would have ballistic missiles.

These are the good points of the world Mr. Reagan envisions. Far more analysis is needed to know if they hold up. For example, a few hidden missiles would confer an enormous advantage, and it would be years, at best, before an S.D.I. could be put in place as a hedge against cheating. But anything that reduces the chances of nuclear war, particularly of

sliding into an unintended pre-emptive strike during a crisis, warrants serious attention.

Still, even assuming Mr. Reagan's vision has merit, how could it possibly be attained? The Soviet Union is satisfied with the present nuclear arsenals, as defined by the SALT II and ABM treaties. It has invested massively in land-based missiles to acquire nuclear parity with the United States. Mr. Gorbachev is trying to revive his economy, not to switch resources and engineers to rebuilding strategic forces. What on earth would induce him to abandon the SALT II framework?

Well, Mr. Reagan might say, you have your answer: S.D.I. Without the Strategic Defense Initiative, the Russians will never agree to significant reductions under SALT. With it, they face fierce competition and an America with superior defenses, at least for missile silos and command posts. Only S.D.I., Mr. Reagan might argue, will drive them from the irredeemably dangerous SALT regime into his world.

It's hard to give Mr. Reagan's vision the respect it might deserve because he has never presented it clearly. His S.D.I. almost certainly cannot defend the whole country, as he vows. His notion of sharing the technology with the Russians is dangerous folly: America's edge in strategic technology weighs vitally against the Soviet advantage in conventional arms. His recent notion of trading away all ballistic missiles has been spelled out to Mr. Gorbachev but not to the American public.

No wonder he has left the widespread impression that S.D.I. is a harebrained adventure that will induce a ruinous race in both offensive and defensive arms. Mr. Reagan's vision may deserve more serious consideration. If so, let him begin to make a more serious case.

### Letters

## What the Press Does When the Government Lies

To the Editor:

The mixture of state sovereignty and the foibles of individual actors has a history in the perspective of which the flap about Libya disinformation (front page stories, Oct. 3) makes the press appear either unbelievably naive or — and I consider this much more probable — bollixed, like the rest of us, among conflicting principles, loyalties and perceptions.

For instance, while the press presumably doesn't approve of any means to an end, the press seems uncertain about which ends justify which means. Thus, your news analysis (in some editions) quotes without comment Austin Ranney, a political scientist, on disinformation: "F.D.R. did it in World War II and L.B.J. during Vietnam. But that was war." No connection is made to Secretary of State George P. Shultz's statement (in the report of his calling the deception about Muammar el-Qaddafi justified) that the United States was "pretty darn close" to a state of war with Libya. And later in that article, Mr. Shultz quotes Winston Churchill, "In time of war the truth is so precious, it must be attended by a bodyguard of lies."

In general, there is a clear implication, which you appear to accept, that

a state of war justifies the use of disinformation. And yet, whether or not this is true, no war was declared in the case of Libya, and there is widespread agreement that acts of war will increasingly occur without a constitutional declaration — Vietnam, Grenada, Lebanon, Nicaragua and the Bay of Pigs being examples.

The press to all intents and purposes accepts the "state of war" justification and often enough generalizes this to the notion that extreme situations justify extreme measures. This is perhaps forgivable. When situations are defined as dangers to national security or a peril to American lives, the dilemma can be very real. Less forgivably, the press ignores the very basic principle that political, economic and military power is also the power to define situations and impose those definitions (e.g., there was no deal in connection with Nicholas S. Daniloff, the Soviet shooting down of Korean Air Lines Flight 7 was an act of pure barbarism and so on).

But this is only one of the conflicts with which the press, like the rest of us, is confronted. Others are those between freedom and responsibility, between obligations to humanity and patriotism, between protection and as-

sidious cultivation of sources, between entertainment and analysis, between praise for democratic freedom and recognition that this is the result of historical, economic and geopolitical fortitudes that have nothing to do with superior virtue or sagacity.

The press rightfully abhors the rigid control of information symbolized by totalitarianism, but it underplays the extent of control that can be achieved in "the free world" by power-based manipulation in general and by the manipulation of freedom's appeal in particular.

Indeed, the press seldom comes to grips with the problems inherent in democratic freedom itself. Was it not also Churchill who said something to the effect that democracy is best described as the least bad form of government? This comes close to an honorable acknowledgment of the inescapable conflicts that must be faced up to by any serious observer of and participant in the human condition.

JOHN K. DICKINSON  
Bowdoinham, Me., Oct. 4, 1986

### Expedient Game Plans

To the Editor:  
The resignation of Bernard Kalb as State Department spokesman to protest what he called the Administration's "reported disinformation program" (front page, Oct. 9) is noteworthy in that both Mr. Kalb's ability and professional journalistic integrity are unquestioned.

These reported allegations, at least to date, seem to be just that and not fixed policy, only strategy suggested by the national security adviser. Every administration has game plans for emergencies, most never used.

Yet one wonders whether in rare instances some deception might be justified for the common world interest. If we regard terrorism as despicable and something to be crushed, certainly every play and stratagem to use against it should be examined for practicality rather than whether it conforms to normal diplomatic mores.

We and our allies frequently used deception in World Wars I and II with no hesitation. The ultimate goal of victory was overriding. To have thought otherwise would have been naïve and defeating. And the horror of terrorism, whether induced by a Libya or Syria or whoever, must be attacked with the use of any wartime expedient.

This is not to suggest any criticism of Bernard Kalb's action, which, in view of his background and devotion to truth, is to be applauded. He will be missed.  
JACK GROSS  
Hershey, Pa., Oct. 9, 1986

## Half-Naked Fakir Meets Overdressed King

To the Editor:

Your news item on the unveiling of Mohandas K. Gandhi's statue in New York City's Union Square (Oct. 3) referred to the dhoti the Indian leader is shown wearing as a symbol of "Hindu asceticism." This is not correct.

On his return to India from South Africa in the early part of this century, Gandhi changed his mode of dress from impeccable Western to an outfit worn by men in his native state of Gujarat, which included a turban and, later, the now famous "Gandhi cap." He did this effectively to identify with the Indian people, whom he was later to lead to independence.

Soon afterward, he discarded even this style in favor of a simple hand-spun dhoti, which he normally wore with nothing else above the waist. He once said he had no right to wear anything more than the barest minimum when millions of his countrymen were deprived by their British rulers of the ability to buy enough clothing "even to hide their shame." It was this mode of dress that prompted Winston Churchill to call Gandhi a "half-naked fakir."

On Gandhi's return from a visit with the King of England at Buckingham



Palace, a correspondent asked how he felt so scantily dressed in the presence of the monarch (during his stay in England, Gandhi added only a shawl to protect himself from the cold). "There was no problem," the Mahatma replied with a mischievous smile. "His Majesty more than made up for both of us."  
VASANT NEVREKAR  
New York, Oct. 6, 1986

## Better Ways to Adjust New York State Taxes

To the Editor:

Assemblyman Ivan Lafayette's suggestion (letter, Oct. 10) that New York State address the \$2 billion "windfall" resulting from the new Federal tax law by cutting the sales tax and letting the personal income tax alone is both impractical and unfair.

In your front-page article on unexpected problems in revising New York's taxes (Sept. 25), you indicate that 50 percent of the "windfall" will result from an automatic increase in capital-gains taxes. Why not correct this by allowing taxpayers the long-term capital-gain deduction fixed under current law? The rest of the "windfall" could then be used for rate reduction, equalization of earned- and unearned-income-tax rates, and corporate-tax reform, which has been discussed by the Legislature.

The failure to give relief to those state taxpayers whose pockets are being inadvertently picked (because of the Federal changes) invites the further exodus of New York taxpayers, taking their tax revenues, businesses and jobs with them. Let us not forget that even if we could restore the status quo, New York taxpayers would still be the highest taxed in the Union.  
EDWARD I. O'BRIEN  
President, Securities Industry Assn.  
New York, Oct. 14, 1986

## Conducting Private Wars Is a Criminal Activity

To the Editor:

When President Reagan was asked if he approved of private efforts against the Government of Nicaragua, like those of Eugene Hasenfus, who was captured by Sandinista soldiers after parachuting from a C-123 cargo plane shot down over their country on Oct. 5, he said, "We're in a free country where private citizens have a great many freedoms" (news story, Oct. 9). The implication is that these include the freedom to conduct private wars abroad.

It is time someone told the President and the rest of us in unmistakable terms that what Mr. Hasenfus and the others aboard that aircraft were doing was a clear violation of American criminal law. The relevant statute provides:

"Whoever, within the United States, knowingly begins or sets on foot or provides or prepares a means for or furnishes the money for, or takes part in, any military or naval expedition or enterprise to be carried on from thence against the territory or dominion of any foreign prince or state, or of any colony, district or people with whom the United States is at peace, shall be fined not more than \$3,000 or imprisoned for not more than three years, or both" (18 United States Code Annotated Sec. 960).

This statute is in origin one of the

oldest in our criminal law, dating from George Washington's time. But it is no dead letter. The annotated code contains 10 pages of references to reported cases, which apply it, mostly in connection with activities in Mexico, Cuba and other Latin American countries. Indeed, there are two reported cases in 1984 and 1985 involving Nicaragua, one naming President Reagan as defendant.

For good measure, one may add a passage from the Habana Treaty (which under Article VI of the Constitution is, with the Constitution and statutes, the "supreme law of the land"). It is important as creating a specific duty on the part of the Government to do something about this kind of activity.

"The contracting states bind themselves . . . (1) To use all means at their disposal to prevent the inhabitants of their territory . . . from participating in, gathering elements, crossing the boundary or sailing from their territory for the purpose of starting or promoting civil strife" (Treaty of Habana, 1928, Treaty Series, No. 814; 46 Statutes at Large, 2149).

Durham, N.C., Oct. 9, 1986

The writer, James B. Duke Professor of Law at Duke University, was director of the United States Information Agency under President Eisenhower.

## Reykjavik Talks Hold Out Hope on Emigration of Soviet Jews

To the Editor:

The cause of Soviet Jewish emigration, an Oct. 13 article from Reykjavik, Iceland, suggested, received a setback because of the failure of the United States and Soviet Union to reach an arms-control agreement.

While we share President Reagan's disappointment that no final accord on arms was reached that would have also permitted issuance of a statement on human rights and Jewish emigration, one thing is clear: There can never be another summit at which human rights issues, including Jewish emigration, are not central.

More, we are encouraged that, as a result of the Reagan Administration's determination to raise the issue in Reykjavik, progress in human rights and Jewish emigration was made. According to Secretary of State George P. Shultz, the subject was explicitly referred to in "what might have been a statement coming out of the meeting dealing with this issue."

When a delegation from the National Conference on Soviet Jewry flew to Iceland, we understood that the meeting between President Reagan and General Secretary Mikhail S.

Gorbachev was expected to be a "presumptive" encounter, with little likelihood of any formal agreements.

Nevertheless, the Soviet Union did accept the Administration's proposal to discuss the easing of certain emigration restrictions. A basic hurdle was overcome when it was agreed to create a working group at Reykjavik to deal with humanitarian issues, including emigration and the reunion of families. Thus, Moscow has acknowledged that the issues are discussable, representing a shift from previous policy, which had insisted they were not a matter for bilateral discourse. The Soviet Union has now recognized that there is proper jurisdiction at summit meetings, as well as in other bilateral encounters, to deal with human rights.

For this achievement, we express our gratitude to President Reagan

and Secretary Shultz. They fulfilled their public pledge that human rights would be one of four major agenda items to be dealt with in Reykjavik and apparently were on their way toward reaching an understanding with the Russians. That measure of success heartens us in the belief that, with the continued commitment of this Administration, and the continued support of the American people, we shall overcome against what the President called the "violation of human rights on the part of the Soviets" and their "refusal to let people emigrate from Russia so they can practice their religion without being persecuted."

MORRIS B. ABRAM  
JERRY GOODMAN  
New York, Oct. 15, 1986

The writers are, respectively, chairman and executive director of the National Conference on Soviet Jewry.

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WASHINGTON | James Reston

## How to Miss the Boat

**T**he closer the United States and the Soviet Union get to a nuclear arms compromise, the more they tend to tear it apart. The loudest critics of the Reagan-Gorbachev Iceland proposals are pulling up these new plants before they've had time to take root.

Almost everybody seems to have an objection. Some say the President went too far to meet the Russians, others that he didn't go far enough; some say that he waited too long in his second term, others that he's in too big a hurry.

The Joint Chiefs of Staff and some of the NATO commanders object that they weren't adequately consulted on the President's concessions, and some leaders in the Congress complain that they were given too little information before the summit and too much contradictory information.

### Analyze, don't pulverize arms proposals

later. No doubt Mr. Gorbachev is hearing much the same in Moscow.

All these objections have a point and are undoubtedly put forward with the utmost sincerity.

Some ask what's the point of blocking the Soviet proposal of massive cuts in strategic nuclear weapons by insisting on a theoretical Star Wars missile defense that might never work and in any event couldn't be deployed effectively until the next century.

Representative Barney Frank, Democrat of Massachusetts, made this point with the worst mixed metaphor of the debate. The President, he said, was rejecting "a bird in the hand for pie in the sky."

There has to be some way to analyze these proposals without pulverizing them, to negotiate a verifiable and attainable compromise without demanding the unattainable. It's not helpful, for example, for the President to politicize the issue in the hope of short-range gains in next month's Congressional elections. He pleaded with the Democrats before the Iceland summit to withdraw their objections to his nuclear policies and give him a chance to negotiate for a united country.

They did so, but now he's out on the stump arguing that a vote against his

Star Wars program is a vote for Mr. Gorbachev, and thus taunting the Democrats whose support he will need in the critical nuclear negotiations that lie ahead in the last two years of his stewardship.

This does not mean that these intricate and dangerous issues should not be examined with the utmost care, but if ever there was a time for calm, nonpartisan discussion it is now. And the guess here is that this would not only be good policy but good politics.

One understands the need for skepticism in dealing with the Russians. They have not kept their promises in the past, and part of the tragedy of the last world war was undoubtedly that the United States was too trusting of the Nazis, and the Japanese before Pearl Harbor.

But excessive mistrust, a tendency always to act on the worst assumptions about one's adversaries, to think that the Russians are just like the Nazis, to believe every word they say about world conquest and also to say that Mr. Gorbachev's words mean nothing, as many people (but not the President) say, is a policy of despair.

It could almost be accepted as a rule of world politics that no state can ever achieve the total security it desires without so tipping the balance of power that it makes its adversaries afraid.

This is the terrible dilemma that faced both Mr. Reagan and Mr. Gorbachev at Reykjavik. It is unlikely that we can attain the security we would like for ourselves and our allies without making the Russians, who remember Napoleon and Hitler, feel insecure.

Both sides have been prisoners of their nightmares ever since they acquired nuclear weapons, and "fear has big eyes," as the old Russian proverb says. But we should probably not imagine that all will be well if our nuclear weapons make the enemy afraid, for it is possible that it is fear more than anything else which is the cause of war.

Just before he went to Iceland, President Reagan told a few reporters in the White House that "nations don't mistrust each other because they're armed; they're armed because they mistrust each other."

At Reykjavik and since then, the President and General Secretary Gorbachev have made proposals to relieve this mistrust, so sweeping that they could not have been imagined even a year ago.

At least these suggestions deserve a careful, civil analysis, free of blame and partisan rancor, especially when we remember that each day Moscow and Washington together produce six new atomic weapons to add to the near 50,000 they already have.

IN THE NATION | Tom Wicker

## Origins of a Collapse

**T**he Reagan Administration may have precipitated the collapse of the Iceland summit a year ago, when in October 1985 it became known that Pentagon and State Department legal advisers had "reinterpreted" the Anti-Ballistic Missile Treaty. This facilitated the amazing discovery that the treaty permitted testing and development of space-based missile defenses.

The treaty language said plainly (Article V, Paragraph 1): "Each party undertakes not to develop, test, or deploy ABM systems or components which are sea-based, air-based, space-based, or mobile land-based." Those who had negotiated the treaty for the Nixon Administration protested strenuously that Article V meant exactly what it said.

Administration wizards nonetheless insisted that other treaty language, meant by its authors to apply only to new types of land-based missile defenses, would permit what was

ABM" for 10 years; and that during this period both sides "adhere strictly to all its provisions" — which Mr. Gorbachev interpreted in a later speech to mean that tests of "anti-ballistic defense in space are prohibited except research and testing in laboratories."

Mr. Reagan accepted the 10-year requirement; he had proposed seven years himself and knew that, anyway, no space-based defensive system could be deployed for 10 years or more. But he rejected the demand that research and testing be confined to laboratories. He insists that this requirement — on which the summit collapsed, and with it the arms reductions already agreed to — would have put an effective end to the S.D.I.

Even if it would have, many Americans outside the Administration think the deal would have been worth making. But numerous U.S. scientists believe that research on the S.D.I. could have been continued "in laboratories" at a reasonably effective level — effective, that is, if Mr. Reagan really means his frequent assertions that S.D.I. is only a research project to find out whether space-based defense is feasible and to make certain that the Russians do not secretly take a lead in developing such a defense.

Besides, the President might have countered Mr. Gorbachev's demands. In addition to the 10-year requirement, he could have agreed to strict adherence to treaty provisions — but with the understanding that a committee of experts from both sides would work out the complex details of what tests could be conducted, how and where. What, for example, are the limits of a "laboratory"? Of a "component"? Might some devices be tested in certain ways, even if an entire "system" could not be? What, for that matter, would be regarded as a "test"?

Even Article V leaves this something of a gray area on which neither Mr. Gorbachev nor Mr. Reagan is an expert; and this grayness reasonably could be made subject to detailed scrutiny within a broader agreement. In fact, Soviet officials now are saying they might accept some testing outside the laboratory. It would have been hard for Mr. Gorbachev to reject a proposal for an expert study, or for either leader to reject whatever conclusions their experts might reach.

But the President either didn't see or didn't want to seize that opportunity. Thus did "reinterpretation" of the ABM Treaty by one side lead the other to the fear, suspicion and demands that ultimately caused both to lose the historic arms reduction agreements that should have been their primary goal.

### The summit and Reagan's reading of the ABM Treaty

prohibited in Article V. This legal prestidigitation produced an uproar among treaty proponents, including most U.S. allies; Secretary of State Shultz had to pledge that the Administration would continue to observe, for the time being, the original interpretation.

That left the allies and the Russians on notice, however, that the Administration could shift to its new interpretation whenever it wanted to proceed with tests that might not be permitted under the original understanding of the treaty.

It also insured that Mikhail Gorbachev would want a U.S. commitment to stick by the original understanding, and would perhaps even pay a substantial negotiating price for such a commitment. So it proved.

Mr. Gorbachev arrived in Iceland prepared to agree, and did agree, to a 50 percent reduction in strategic offensive weapons — including the heavy land-based Soviet missiles that U.S. strategists most fear — and to the removal of all Soviet and U.S. medium-range missiles from Europe. But in return, he insisted upon an absolute requirement of adhering to

## A Basis For Progress On Arms

By McGeorge Bundy, George F. Kennan, Robert S. McNamara and Gerard C. Smith

**T**he Iceland summit meeting offers an opportunity for progress in the reduction of nuclear dangers more promising than any since the imperfect effort for international control of atomic energy broke down under Stalin's rejection 40 years ago. It also suggests that the aims of the two leaders are not in such conflict as to be a solid block to agreement.

On the surface, the meeting produced first a picture of disappointing impasse and then a busy public-relations campaign on both sides. In these efforts, both sides said things that do not help, and it would be only too easy for both to slide back into the rhetoric that is such a fertile source of resentment and mistrust. More sensibly, both sides have also spoken of real progress and continued hope. We think there may be better reason for such hope than either side has yet set forth.

The initial disappointment was predictable. Two years ago, the four of us wrote that there was a radical incompatibility between arms control agreements and President Reagan's initial dream of a leakproof strategic defense. We asserted that "it is possible to reach good agreements, or possible to insist on the Star Wars program as it stands, but wholly impossible to do both." This proposition seems amply confirmed by Iceland. It should now be clear that the Soviet Government has no intention of reaching major arms control agreements that reduce its strategic forces unless and until it can get acceptable constraints on strategic defense.

But the Iceland encounter has deeper and more hopeful lessons. The Strategic Defense Initiative has proved to be a powerful bargaining lever. If indeed the Soviet Government can have satisfactory constraints on strategic defense, it seems ready to conclude agreements greatly reducing offensive forces. From what has so far been revealed, it is impossible to pass final judgment on the possible agreements — particularly on reductions of strategic warheads — that were so rapidly sketched out, but we see no reason to doubt American reports that extraordinary progress was made, and much of it by positive changes in Soviet positions.

In the end, all this was conditioned on a new strategic defense agreement that was not achieved. But the very existence of the Strategic Defense Initiative created a new reality. If President Reagan can find a way to reach agreement on that subject, he should be able to conclude a most important and valuable set of arms control agreements. This necessarily raises the question whether the Iceland impasse on strategic defense is as much of an obstacle as it seems. Some of the events of the meeting indicate that it is not.

What President Reagan really

McGeorge Bundy was special assistant to the President for National Security Affairs from 1961 to 1966. George F. Kennan was Ambassador to the Soviet Union and to Yugoslavia. Robert S. McNamara was Secretary of Defense from 1961 to 1968. Gerard C. Smith was chief of the United States delegation to the Strategic Arms Limitation Talks from 1969 to 1972.

## Agreement To Expand Contacts

By George P. Shultz

**T**he Reykjavik meeting between President Reagan and General Secretary Mikhail Gorbachev was an extraordinary event. Far more was achieved than anyone had considered possible. If the Soviets are as prepared as we to follow through on the work done last week, Reykjavik could set the stage for a major advance in United States-Soviet relations, one that could potentially transform the international security landscape. In Reykjavik, we drew within sight of a major goal of this Administration — achieving the reduction and eventual elimination of the danger posed by nuclear weapons.

Of course, we were disappointed by the way the meeting ended. That was hardly surprising. For a few hours, a truly historic outcome seemed within our grasp. It was hard to have to walk away from that. But the President was prepared to do so rather than compromise his conscience and the security of this country and our allies.

Here's what we achieved in two days of intense but civil discussions: Human rights, as we had promised,

George P. Shultz is Secretary of State.

# Reykjavik's Grounds for Hope

wants is not what Mikhail S. Gorbachev really fears. Mr. Gorbachev fears what he now sees going forward: major new deployments of American offensive systems, including thousands of hard-target killers, combined with a crash program to design, develop and deploy a defensive shield that has the announced purpose of making his offensive missiles obsolete. Iceland makes it clear again that Moscow's primary goal is to protect the Soviet Union against a double deployment of offensive and defensive systems that might create a United States first-strike capability.

But the double deployment the Russians fear is not at all what President Reagan has in his mind. What he wants, passionately if somewhat simply, is to end the ballistic missile threat to Americans, and he is entirely willing, as he showed in Iceland, to end the ballistic missile threat to the Soviet Union at the same time. The President's dream includes no necessity for offensive missiles, and the two men apparently agreed in principle that a world without such missiles would be in the interest of both superpowers.

We suggest that President Reagan's central dream and Mr. Gorbachev's central fear are so different that it may be possible to allay the fear without killing the dream. Both sides are willing to agree that there need be no early strategic defense deployment. The proposals made in Iceland suggest that the next decade should be used to make great reductions of ballistic missiles. As long as such reductions continue, and are carried out in ways that meet the demanding requirements of strategic stability, there is no good reason not to give offensive reductions a continuing priority in time over defensive deployment. If sustained, this priority would give continuing assurance against the genuinely threatening double deployment that Mr. Gorbachev fears and President Reagan does not intend.

President Reagan has fears of his

own. He fears secret Russian progress in all strategic capabilities, and he warned on Tuesday against "loopholes that would leave the West naked to a massive and sudden Soviet buildup in offensive and defensive weapons." He should not be surprised that Soviet leaders have a parallel fear. They fear our high technology. We fear their secrecy and deception. Both fears may be exaggerated, but both are real. Offensive reductions will depend on reassurance to both sides against the dangers of both offensive and defensive breakthroughs.

Another trouble here is confusion about what the Strategic Defense Initiative is signed to do. President Reagan first spoke of a defense so

## The Strategic Defense Initiative has proved to be a powerful lever

strong that our people would be truly safe from Soviet missile forces. Call that S.D.I.-1. But after three years of work, his managers and experts talk more and more now of a defense only good enough to deter a Soviet first strike — really a defense of our offensive deterrent, not our people. That is S.D.I.-2. In Iceland, President Reagan spoke of needing a defense for "insurance" even after all American and Soviet offensive missiles have been dismantled. That is apparently a quite different, "minimal" enterprise. Is it S.D.I.-3?

President Reagan first proposed the Strategic Defense Initiative be-

cause of the oppressive threat of Soviet ballistic missiles. Largely because he proposed it, we now have a good prospect of dramatic and continuing reductions in these missiles, balanced by reductions on our side that the President clearly finds acceptable. What prevents those reductions is the failure of both sides to compromise on defensive missiles, allowing strategic and technological exploration to go forward while preventing activity closer to deployment as long as cutbacks in offensive missile forces continue. So what we need now is a carefully bargained agreement that will let both sides reduce their grossly excessive offensive arsenals. It will take time and thought, and it may be just as well that there was no quick bargain in Iceland.

There is hard work ahead. It is much easier, for example, to cut the numbers of offensive missiles in half than to go all the way to zero, and both sides in the end may need small remaining offensive forces as general assurance against secret deployments by anyone. It is also much easier to call for agreed long-term control of strategic defense than to state its proper terms.

Both sides should now look again at their opportunities and their fears. The Americans in particular should take a hard look at the real record and prospects of the Strategic Defense Initiative. A review by disinterested experts could help the President recognize the limits as well as the strengths of this bargaining lever.

Our own belief is that the right contribution of what we have called S.D.I.-1 and S.D.I.-2 has been to open the door to a much safer world in which neither one need ever be bought or built, while there need be no bar to the kind of defensive research and readiness that we may always need for insurance. As for S.D.I.-3, it can surely wait a little while.

The challenge of the Iceland meeting — and not for our side alone — is to rise above its frustration and begin a determined search for the ways to fulfill its hope.



were front and center in Iceland. Perhaps never before has the Government and interested groups and individuals in this country cooperated so extensively in preparing for such a meeting. In Reykjavik, the President drew heavily on materials provided by the National Council on Soviet Jewry and other organizations. It made for a strong and convincing presentation. We believe the Soviets will consider it carefully. We hope it will have an impact in the months ahead.

We made real progress on bilateral issues. We agreed on an ambitious work plan for expanding contacts between our two societies. It provided for intensive negotiations over the months ahead on space cooperation, multilateral cooperation in nuclear fusion research, and improving cooperation in maritime search and rescue. The two leaders endorsed this work, and we are operating on the assumption that the schedule we outlined remains valid.

There was a wide-ranging discussion of regional problems. It is in the nature of these issues that we disagreed more than we agreed; and we

## Human rights were 'front and center'

put down some strong markers on the impact on our relations of Soviet behavior in such places as Afghanistan and Central America. But one thing we did agree on was the utility of continuing to exchange views on these issues, and to find common ground where we can. We expect to continue the regional dialogue in the months ahead.

And of course we discussed arms control. This was no ordinary dialogue. Both the President and General Secretary demonstrated themselves to be men of vision, capable of taking bold and creative decisions on the spot. Those decisions brought us very close to concluding understandings on dramatic reductions of strategic offensive weapons, on the virtual elimination of longer range intermediate nuclear force missiles and on a nuclear testing regime that would protect our vital interests.

The two leaders discussed strategic defense at great length. The President did his utmost to demonstrate that the Soviets have nothing to fear from the Strategic Defense Initiative. He even proposed to postpone deployment of a strategic defense system for 10 years in conjunction with 50 percent reductions of strategic forces over the first five years, and the elimination of all American and Soviet ballistic missiles over the second five years. He assured them that, during that period, we would continue to abide by the Anti-Ballistic Missile Treaty.

It was unfortunate that this was not enough for the Soviets, who insisted that we had to amend the ABM Treaty by agreeing to a ban on any testing of S.D.I.-related activities outside the laboratory. This went well beyond what we — and the Soviets — had agreed to when the treaty was signed

## 'We have cut through much of the underbrush'

In 1972. It was clear that the effect would have been to kill S.D.I. This the President could not accept. He would not abandon a program that has acted as an incentive for arms reductions and that would be critical in insuring compliance with reductions we might ultimately agree to. That was a decision that took vision and courage.

In walking away from a quick deal in Reykjavik, have we reached the end of the road? Hardly. We have said we are prepared to build on the work done there and during the months preceding the meeting. Our negotiators are on their way back to Geneva to follow up on the discussions between the President and Mr. Gorbachev. The issues are clearer now. We have cut through much of the underbrush in the path of agreements. We are ready to push ahead with the rest of the agenda as well.

In his public statements since Reykjavik, Mr. Gorbachev has said that his meeting with the President was not in vain. We could not agree more. The real significance of Reykjavik is that we got so close. Serious work lies ahead. The United States is ready.



# Arts & Leisure

## 'Color of Money': Three Men And a Sequel

By MYRA FORSBERG

For the novelist Richard Price, the first conference with Paul Newman could have been a scene in a Jim Jarmusch film. "We were in Malibu — me and Marty Scorsese — the two New York guys on the beach. Marty's sitting there with his jacket and his nasal spray and I was smoking a cigarette, hunched over coughing. And then Newman comes out, all tanned up. Mr. Sea & Ski, eating a grapefruit. It was the two New York clowns with the Hollywood platinum. It was like something out of 'Stranger Than Paradise'."

What Mr. Newman wanted to talk about on that February morning in 1985 was the feasibility of a movie sequel. Not your average sequel to a recent hit — a "Jaws III" or a "Karate Kid, Part II" — but a follow-up to a classic film made a quarter of a century ago by Robert Rossen in which a young actor named Paul Newman created one of his most memorable cinematic roles: the pool player Fast Eddie Felson in "The Hustler."

"We kind of hammered together a plot line that day," Mr. Newman recalls. "And we committed to it."

The product of this unlikely alliance, the film "The Color of Money," directed by Martin Scorsese, written by Richard Price and starring Paul Newman — opened in New York last Friday. It is the result of intense script meetings, rigorous rehearsals and a strict 49-day shooting schedule in Chicago. More important, it was an endeavor in which all three men collaborated on the screenplay's serpentine plot — about a former pool hot-shot and the young player he tries to manipulate — in brainstorming sessions held in New York restaurants, apartments and offices. "We not only went over every word," Mr. Price recalls. "We went over every punctuation mark."

"It was as good a communal ex-

perience as I've ever had," Mr. Newman says. "Everybody had his say and everything was out in the open."

Even in this age of high-powered partnerships, "The Color of Money" is the work of a notable triumvirate. It brings together Mr. Scorsese — the director of such idiosyncratic movies about characters living on the edge of society as "Mean Streets," "Taxi Driver" and "Raging Bull" — with a star of a different generation who has appeared in more than 40 films, many of which are considered classics: "Hud," "Cool Hand Luke," "The Sting," "Butch Cassidy and the Sundance Kid," "The Verdict." Linked with these two veterans of the cinema is a newcomer seeing the first of several scripts he has written reach the screen. Mr. Price is not some Hollywood novice who came up through the ranks via television or low-budget films. Instead, he is a New York novelist whose critically acclaimed books about blue-collar Italians and neurotic urban denizens include "The Wanderers," "Bloodbrothers," and "The Breaks."

For many in the industry, the most surprising aspect about the movie was that Mr. Scorsese — one of the most respected auteurs of his generation, whose most explosive work has featured Robert De Niro — would agree to do a sequel, particularly a sequel to another director's film. "My tastes don't run to shooting sequels," Mr. Scorsese admits. "But I love Paul Newman's work — especially in 'The Hustler' — and I liked the ambience of that film. So when Newman called me in September 1984 and asked if I would be interested in talking, I agreed."

The sequel, the director says, had been in development for at least a year before he was approached. "There had been a couple of scripts written, one by Walter Tevis, who wrote the books 'The Color of Money' and 'The Hustler,' and another by a different writer, which I read. That story I didn't want to do because it was a literal sequel. It was based on



Paul Newman, who returned to his role as Fast Eddie Felson in "The Color of Money," the sequel to his 1961 movie "The Hustler." Martin Scorsese, right, directed the film.

at least some familiarity with the original. So I suggested to Newman starting fresh — taking the Felson character and working a whole new story around him 25 to 30 years later."

"You see, I don't know anything about pool. I don't like what's on the table, but what's around the table, the intrigue, the manipulations."

Another attraction for Mr. Scorsese was that "the characters in my own films seemed to have an affinity with Eddie. Characters like Eddie are always creating dramatic situations where they're confronted with choices — and sometimes the choices will set them back morally and sometimes they set them ahead morally. And that fascinates me."

Sufficiently seduced by the concept, Mr. Scorsese asked Mr. Price, with whom he had been developing another project, if he'd care to write about an aging hustler played by Paul Newman. "How could I say no?" asks Mr. Price. "Finally I would get to work with someone my mother had heard of."

After Mr. Price agreed to collaborate on "The Color of Money," the three men met in Malibu. Then Mr. Price went off to observe pool players and write. When he returned with 80 pages about Eddie Felson's road to redemption, the proposition hit its first pothole.

"Richard and I had talked about how to make the plot very tough," says Mr. Scorsese. "And then his first effort wasn't closely observed. I liked a lot of it, but Paul thought it was going in a different direction from what we had discussed in California. So we decided to start from scratch, but this time everybody check in."

"My feeling was we weren't in a situation where we had to go find an actor. We had the actor. So I told Richard, 'We're making a suit for the man' — in a way. The words you're writing have to come through Paul Newman's lips. So if at times you write stuff and we hear him say it and it doesn't sound right, we have to change your stuff."

In Mr. Price's view, Mr. Newman's objections centered on Fast Eddie's portrayal: "Newman loves playing the antihero. Like a combination of all the H's — 'Hustler,' 'Hud,' 'Hombre,' 'Harper.' He likes playing the Outsider, but the Outsider that you just can't bring yourself to hate. He was looking for redeemable factors to come in a little earlier. He just didn't like the guy."

"So we had to find out what was turning him on about the character after 25 years. You see, Marty and I like mean things — the meaner the better because the greater the shaft of light in the end. And while Newman wanted to explore aging — the fear of losing it — he just thought the character was too hard."

According to Mr. Scorsese, that incident set the tone for the rest of the script skirmishes: "I would look at what Richard would do first and make suggestions, and he would rewrite it and we would bring it to Paul — who would make suggestions — and then the process would start over."

Mr. Newman has fond memories of those meetings: "The great thing was that ideas just came up and blossomed. And it didn't matter who owned them."

The give and take resulted in a story that opens with Eddie Felson — who is now a liquor salesman — meeting an ingenious young player named Vincent (Tom Cruise). "When we pick up Eddie, he's still a hustler," says Mr. Scorsese. "But a hustler

who's afraid to play the game. The kid plays the game purely for the poetry of it. He doesn't understand anything about money, the manipulation of people, cheating. Eddie decides he can make a fortune with this kid. All he has to do is shape him into a hustler."

To Mr. Scorsese, the violence in the movie "is all psychological. How he manipulates the boy — through his girlfriend. Everyone thinks he's doing it for the good of the kid, but in actuality they're just screwing up his head. The violence is all underlying — implosions rather than explosions."

For Mr. Price, the key to understanding Eddie was recognizing that "he had become the thing he hated the most — the George C. Scott character in the original. He had become a stakeholder, a man who backs young pool players. We worked from the premise of what happens to a man when you take away his art — whether it's pool playing, writing, directing or acting."

"Essentially, we were determined not to make this 'Rocky' with a pool cue — or 'Top Gun'."

## In 'Peggy Sue' We Take A Visit to a Changeless Past

By VINCENT CANBY

One of the funnier of the random jokes — which surface like debris from a sunken lifeboat during "Peggy Sue Got Married" — recalls the Ford Motor Company's disastrous attempt to create a market for what turned out to be the automobile industry's most colossal dud.

Peggy Sue (Kathleen Turner), unhappily married and approaching middle age, finds herself magically returned to 1959-1960, her high school senior year, with the ability to look at the past from the point of view of a commonsensical 1985 woman. Toward the middle of the film, Peggy Sue's father turns up at the house with a surprise for the family — a big, gleaming, brand-new car. While her mother and younger sister are sliding their fingers along the shiny finish of their latest status symbol, cooing their approvals, Peggy Sue says sadly, as if speaking from the beyond, "Oh, Dad, you were always doing things like this. You bought an Edsel!"

It's a nice moment. It's also somewhat more revealing than it probably means to be.

What is most interesting about "Peggy Sue Got Married," and about other movies that look fondly back to the supposedly more innocent 1950's and 1960's, is that the world they recall isn't appreciably different from the one presently inhabited by the movie makers who are looking back so fondly.

The Edsel, with its chrome "horse-collar" on its radiator, bracketed by two other smaller, equally pointless grilles, struck most of us at the time as ugly and ungainly, a perfect example of the dead end of Detroit's commitment to design for its own sake. Yet today, the Edsel doesn't look so bad or, at least, so eccentric. Only the name remains a clear-cut joke.

Today's automobiles, clothes, manners, movies and television are variations on fashions and technology set in the post-World War II era. Thus the past, as it's perceived by these film makers with some accuracy, is not "the foreign country" recalled by L. P. Hartley in "The Go-Between." It is familiar, unthreatening and soothing, in contrast to the world that could be seen by movie makers looking back through the decades before World War II.

What's missing is not necessarily a sense of history — today's film makers are probably better educated than any have been since movies were invented — but an appreciation of the past as it differs from the present, which is, I suppose, an awareness of mortality. One tends to forget such things after 40 years of living in even the precarious equilibrium we've experienced since World War II.

The manner in which we perceive the past determines how we perceive the present and the future. This possibly explains the utterly bland, incurably optimistic timelessness of so many of our commercial movies today — of everything from the foul-mouthed, sometimes rudely funny "Porky's" comedies to the gung-ho heroics of something like "Top Gun." It's a conspiracy between film makers, who may or may not be post-World War II babies, and the young audiences they're attempting to please.

Life in the 1959-1960 America recalled by "Peggy Sue Got Married" differs only in superficial style from the 1955 America of "Back to the Future," the 1962 America of "American Graffiti" or even the 1986 America of "Ferris Bueller's Day Off."

Compared to the four decades that ended in 1950, which witnessed unprecedented social, political, economic and technological upheavals, the nearly four decades since have been a time of virtual stasis. Refinement of existing technology and the development of the microchip have allowed us to explore space, put men on the moon, create a collective, computerized memory, build supersonic planes and devise ever more compact television sets, which, via satellites, can now receive signals from anywhere in the world. These innovations have radically changed our daily habits. However, they've not required that we change our view of the world, or our view of our place in it, in any of the ways comparable to the changes effected by two World Wars, the triumph of Communism in Russia, the airplane, women's suffrage, the Depression, radio, television, the telephone and automobile as ways of life, the splitting of the atom and the possibility of global annihilation.

One of the sure-fire gags in "Back to the Future" (which has more or less the same plot as "Peggy Sue Got Married" and is far more coherent) occurs when Michael J. Fox, as a time traveler visiting 1955, sees a theater marquee announcing "Cattle Queen of Montana" starring Ronald Reagan. When the Fox character reports that the star will be President one day, his friend replies, "Yeah, and Jerry Lewis will be vice president."

The gag works in several ways. It's funny because (1) the friend obviously thinks Mr. Fox is nuts, (2) most of us are still somewhat amazed that an actor could become not only President, but also a President of such popularity, and (3) the President we see on television today seems not to have changed at all from the man who made "Cattle Queen of Montana" 31 years ago. In the President we have the personification of the post-World War II perception of past. It's something immutable that has extended to the present and, for all we know, will continue on into a never-ending future.

Looking at "Peggy Sue Got Married," you suddenly realize not how innocent the old days were but how little our society has changed. However, someone traveling back 25 years from 1939 would have discovered an alien world. The recorded music would sound tinny to the 1939 ear. The 1914 movies were silent and acted with gestures left over from the 19th-century theater. Long-distance auto travel was an adventure in courage on unmapped roads still to be paved.

In the 1960's, when Peggy Sue got married, Johnny Carson was on the air doing what he does now. People have been conceived, born, raised, grown up, married and divorced watching Johnny Carson. The only difference is that today the young comedians and stand-up comics, who in 1960 might have been modeling themselves on Mort Sahl, are now hoping to become Johnny Carson, more or less the way David Brenner and Joan Rivers have.

Watching today's new television comedians, one may well suspect that one team of writers is turning out all of the material. The subjects: living alone, making out, fast-food, mother, dad, ugly boyfriends, ugly girlfriends. The given in each case is that — because the members of the audience accept as unchanging the nature of the world — the only thing to talk about is oneself.

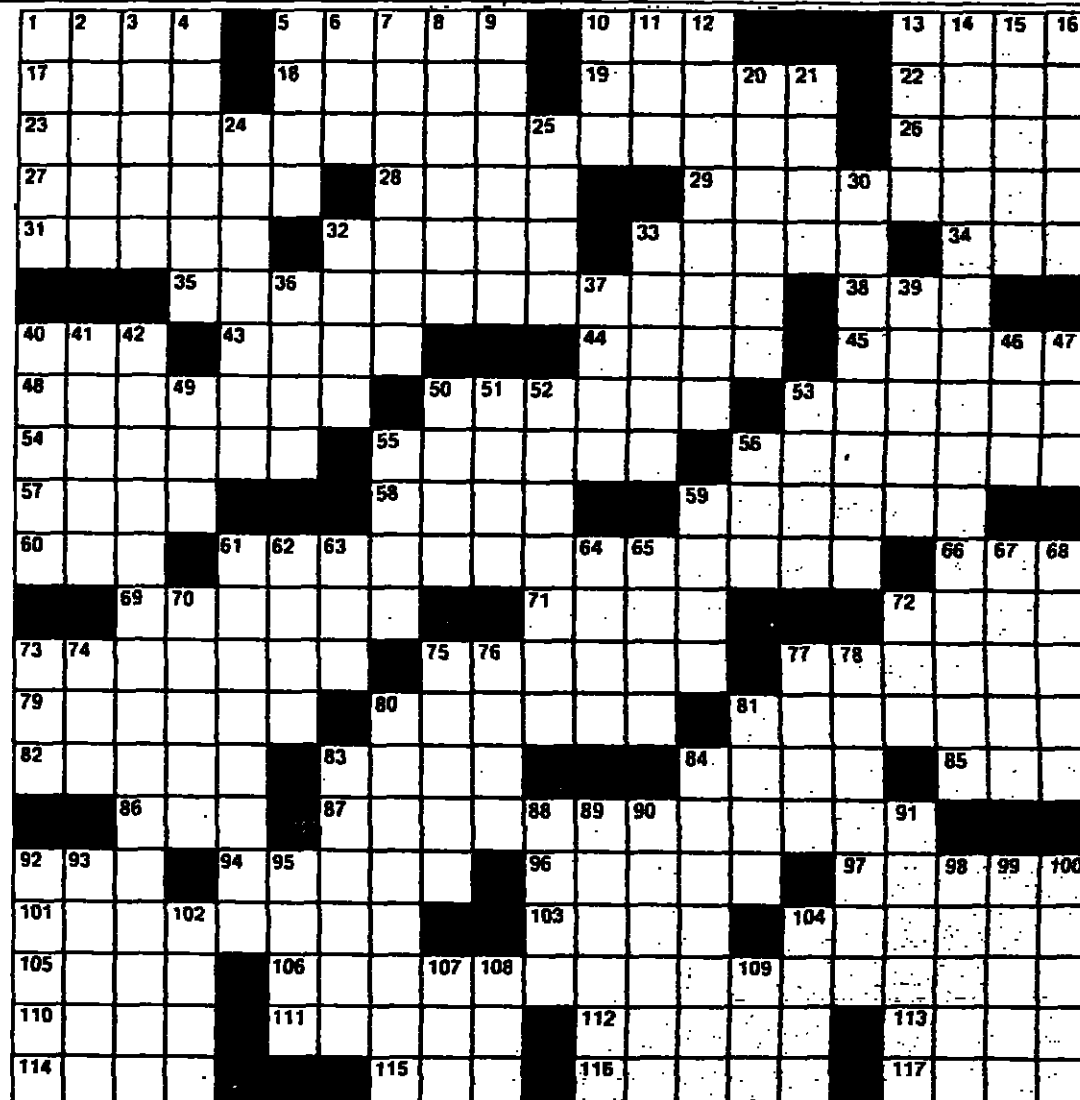
When there's no sense of a past that's different from the present, this short view of life — totally self-absorbed, referential only to other comedians — must serve as the long.

## Contrary Creations

BY NANCY SCANDRETT ROSS/Puzzles Edited by Eugene T. Maleska

### ACROSS

- 1 Costa
- 5 Diversion
- 10 Purpose
- 13 Walk or trot
- 17 Harem rooms
- 18 City in Crete
- 19 Start of Iago's aria
- 22 Artifice
- 23 Optimistic Miller?
- 26 Scope
- 27 Use the public library
- 28 Locale
- 29 Parts of footballs
- 31 Kettle emission
- 32 In — (having difficulties)
- 33 Meshed native
- 34 Winner's sign
- 35 Knight's dismissal?
- 38 "Pace, pace, mio"
- 40 J.F.K. sight
- 43 Roves
- 44 Offends
- 45 Stage comment
- 48 Notebooks
- 50 A.L. triple-crown winner: 1956
- 53 Alarms
- 54 Reluctant
- 55 Kind of shop
- 56 Fit to imbibe
- 57 Tennis score
- 58 Doctrinaires
- 59 Containing a nonmetallic element
- 60 Comb. form
- 61 Lincoln's "Cap'n"
- 62 Locale of misplaced Michener tales?
- 66 Teutonic lang.
- 69 Elite get-together
- 71 Rhine tributary
- 72 Chinese dynasty
- 73 Used a certain travel
- 75 Hit with a blackjack
- 77 Entreat
- 79 Pitched-roof features
- 80 Kitchen tools
- 81 Parade routes, often
- 82 Baby boobook
- 83 One-time, once
- 84 Eschew
- 85 Bob's partner
- 86 Poet's word
- 87 Writer's block a la Cole Porter?
- 92 Adage
- 94 Public storehouse
- 96 Fortuneteller's card



### DOWN

- 1 L.B.J. in-laws
- 2 Dostoyevsky protagonist
- 3 Tennessee Williams' "Vieux"
- 4 Like the Milky Way
- 5 Flat-bottomed boat
- 6 Pif — (card game)
- 7 Memorable magnate
- 8 Child's offering
- 9 Wrasse's cousin
- 10 Emulate Duse
- 11 U.N.R.R.A. successor
- 12 Eardrum, e.g.
- 13 Alum
- 14 A departure for Sagan?
- 15 Rhone feeder
- 16 Chevy or Chevy
- 20 Timetable troubles
- 21 Camus setting
- 24 Allegiances
- 25 Honshu city
- 30 Pompously dull and erudite
- 32 Does arithmetic
- 33 "Wait for You," 1965 song
- 36 Colonial Virginia
- 37 — spumante
- 39 Author Singer
- 40 Garden pest
- 41 Relish
- 42 H.G. Wells sequel?
- 46 Gato — Sol, 1982 Derby winner
- 47 Genoa-to-Rapallo dir.
- 49 Cholera
- 50 Net
- 51 "Troll," Heine poem
- 52 U.S.T.A. singles champ: 1972
- 53 Unaccompanied performances
- 55 Bas mizvah, e.g.
- 56 Stone
- 59 Prune, in Perth
- 61 Score minus one
- 62 Placer materials
- 63 Smith or Barber
- 64 "Waiting for Godot" actor
- 65 Father of Diomedes
- 67 Biblical prophet
- 68 Spunky
- 70 Girl watcher
- 72 Cigarette pkg.
- 73 Past
- 74 Cardinal at Boston
- 75 Hereditary class
- 76 Former Met (tenor)
- 77 Egg, to Cato

### ANSWER TO PREVIOUS PUZZLE

ANDER WEIS SPIRIT EPA  
THEO ALPOO FLEETE WEA  
WOMEN SUNDAY VARIATION WTE  
ONO NOREY VERTI TERN  
CHADE GOWTHORP  
GROWDEWELL MERTON  
BOANS LANA BIAN BOAT  
BYTA MUM SOINE HANE  
CHILENCEPTION TRITON  
VEC VORE ROYO ETROC  
PEVPEROROROROROR  
LOANO KIRA BOSE DOP  
ROMANS HOMESWEETENOR  
IVAN LEROY ROSE ECHA  
BERT ARRY GORD MERT  
AQUE SAGGHEWELL  
PLASMINOAPAD TRATE  
LEVE EGER DEER RAP  
NOE INEACOROROROROR  
EHA BITEO CRASE ZEE



**GARDENER'S CORNER / Walter Frankl**

### Espaliered apple tree

1. 2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840. 84



# Nigeria turns to austerity, devaluation to renew growth

LAGOS, Nigeria (AP). — Nigeria, Africa's slumbering economic giant, hopes the imposition of austerity measures demanded by its creditors and the devaluation of its currency will prompt renewed growth.

This West African nation of 90 million, the continent's most populous, has recently rescheduled a big chunk of its foreign debt and last week was granted fresh international credit after a sustained cutoff. Both developments were seen as a result of economic measures adopted by the government of President Maj. Gen. Ibrahim Babangida.

The measures should please Israel, many of whose firms, chief among them Solel Boneh, are owed huge sums of money by Nigeria.

"The World Bank is quite pleased with the progress the Nigerian government has made so far and hopes that if these economic policies are sustained over time, Nigeria can resume economic growth in the not-too-distant future," Ishrat Husain, the bank's representative here, said.

Economists and Nigerian officials say foreign banks have begun lending money again for imports, and they will begin arriving in a few weeks.

The weeks ago, the government instituted a currency-auction system as a means of freeing the artificially overvalued currency, called the naira. It resulted in a de facto devaluation of about 60 per cent.

The World Bank approved a \$450 million loan last week to help fund the new foreign exchange system.

The auction market was named the "second tier" system because existing foreign debt was to be paid at the "first tier," or official rate of

1.68 nairas to the U.S. dollar.

All other transactions go through the auction system, which in effect legalized a thriving black market. Now dollars are being sold at banks for almost four naira.

Most people were already paying black market prices for imported goods, and the devaluation has not produced the steep jump in the inflation rate feared by some.

In the middle 1970s, Nigeria was black Africa's economic powerhouse. Oil production had generated a boom.

The boom turned to what economists called the "oil doom" when mismanagement, corruption and falling oil prices halted vital imports, shut down factories, discouraged food production and resulted in the layoff of hundreds of thousands of workers.

Virtually all credit was cut off, and Western commercial banks had grudgingly granted two 90-day foreign debt payment moratoriums this year.

Babangida announced June 27 that his government, which already had imposed most of the austerity measures demanded by creditors, was creating the auction-market system. Clearing the way for an accord with the International Monetary Fund, London Club of commercial lenders and Paris Club of bilateral lenders.

Central Bank Governor Abdul Ahmed presided over the fourth weekly auction, held last week with 200 people jammed in a steamy room in the central bank headquarters in downtown Lagos.

The auctions begin with a bank official opening a locked box holding

bids from 40 Nigerian banks. Each bid, the rate offered and the amount of hard currency requested, is posted on a 15-foot-wide blackboard with the highest bid first, followed in descending order by the rest.

The running total of foreign exchange being sought is kept, and once buyers have accounted for all the money being auctioned, the dollar rate is set.

Ahmed said the auction is a "means to transform the economy and make it dynamic. Up to now our economy has been built on shifting sand."

A Western banking official, who declined to be further identified, said the main worry now is the price of oil. Nigeria has been earning more than 90 per cent of its foreign exchange from oil. The official said further oil price declines could endanger the recovery.

Last fall, oil was selling on the international market for about \$25 a barrel. Because of a worldwide glut, it fell this summer to less than \$10, and the current price is about \$15 a barrel.

The official noted that the devaluation already is stimulating agricultural production. For example, with cocoa prices set at the dollar-auction rate, farmers will earn 5,000 naira per ton instead of 1,600.

The devaluation affects imported goods more than those produced domestically.

The lack of a sharp rise, to date, in consumer prices is due in part to the fact that most food staples are produced in the country, and economic surveys show that most Nigerians spend about 60 per cent of their income on food.

# Tax breaks lure capital to the capital

By AARON SITTNER

Jerusalem Post Reporter

Some people would sell you cars, others carrots. But Zev Birger sells a city.

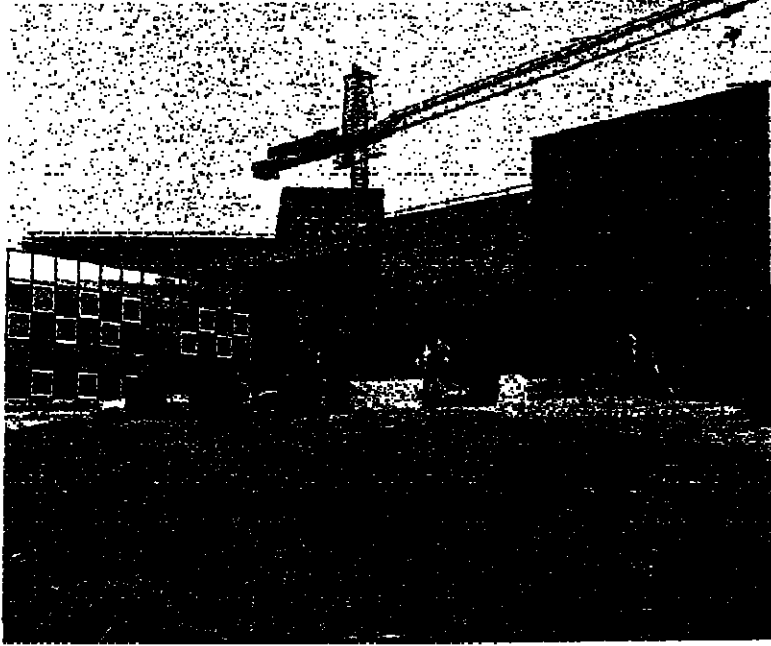
The affable executive at the Jerusalem Economic Corp. (JEC) doesn't brag about it, but well-placed people in the capital's business community will tell you that Birger's dedication to his work has created thousands of jobs for Jerusalemites.

"Jerusalem is undoubtedly an international cultural center," he said in a recent interview. "But universities, government offices, hospitals and Jewish Agency headquarters are not enough to keep this city vibrant. Jerusalem needs more industry, and that's that."

Birger cites some figures which he terms "shocking." While industrial workers comprise 23 per cent of the work-force elsewhere in Israel, they comprise only 10.8 per cent of Jerusalem's labour market.

The chief reason for the low level of manufacturing employment in the capital is that almost all of the industrial plants that have been established in Jerusalem in recent years are of the so-called high-tech variety. This is no accident; in fact, the same hand that beckons those high-tech firms positively discourages large, labour-intensive, mass-production types of factories.

The rationale is a simple one: the demographic factor. With the bulk of Jewish youth tending towards higher education, after completing their secondary schooling, the demand for manual workers in mass-production plants would invariably be filled by Arabs. Such large moves into Jerusalem's labour force, in addition to the greater natural increase among the city's Arab population, would easily undo all of



Workers put the finishing touches on Luz Industries Ltd.'s new Jerusalem headquarters last June.

the government's efforts to keep Jerusalem, the capital of the state, a Jewish city.

"We have an interesting problem here," Birger notes. "We are proud to be the home of several superior vocational high schools as well as the Jerusalem College of Technology (JCT)."

"Yet, when each graduating class — in the vocational schools and the JCT — hits the job market, the graduates are faced with the same painful reality — what to do with all that specialized training."

"No wonder so many of Jerusalem's young people soon leave the city and, even worse, head for overseas, where job opportunities beckon."

To stem that tide, Birger insists,

Jerusalem will need "at least" 5,000 new jobs within the next 60 months.

The director of the JEC's investment bureau, Birger is among the leading factors in buttonholing foreign and Israeli businessmen and convincing them that Jerusalem is the place for them to locate.

As spokesman for Jerusalem's advantages, Birger promises businessmen ample trained workers — technicians, engineers and hand-assemblers (practical engineers).

He also offers a wide range of university-based and other research-and-development facilities, all the benefits of a Zone A classification under the Law of Encouragement of Capital Investment (tax relief, loans and grants) and a substantial inventory of prime industrial sites at rock

bottom rates. Among the foreign and Israeli corporations who have located in the capital, or have established units here, are Elscint, Intel, Condor Pacific, Teva, AVX, Biodes, Digital, Makor Chemicals, Rokar International, Yissum, Moked and Kanda.

These companies enjoy an impressive array of benefits and concessions from the authorities. For start-up concerns, there is an "investment grant" equal to 30 per cent of the company's total investment in fixed assets and a "concessional loan" equal to 40 per cent of the total investment in fixed assets.

From the Chief Scientist's Office at the Ministry of Industry and Trade, aid for research-and-development may come as high as 54 per cent of the company's R & D outlays.

From the Ministry of Finance, Birger brings the following incentives to industrialists choosing Jerusalem:

Exemption from income tax for the first seven years on retained earnings.

A 30 per cent ceiling on corporate taxes.

Taxes on dividends to foreign investors limited to 10.5 per cent.

Employers' tax, which amounts to 7 per cent of the total payroll costs, is waived for five years.

Once a company passes the start-up phase, it is still entitled to important benefits: Among them is an export-manufacture fund that provides financing of 60 per cent of the added value of exports. In addition, the government offers financing for the import of raw materials used in the production of goods destined for re-export. Loans are available at the rate of 42 per cent of the substituted value, with interest fixed at 60 per cent of the Eurodollar rate.

A COMPUTER, sophisticated as it may be, is not worth much without a proper memory. Used for storing both programmes and data, memory devices play a crucial part in enabling the computer to perform for us. Hard discs, the newest innovation in mass storage technology, are making the task easier. Inexpensive, compact and easy to use, hard discs can store a whole encyclopedia and enable rapid access to it.

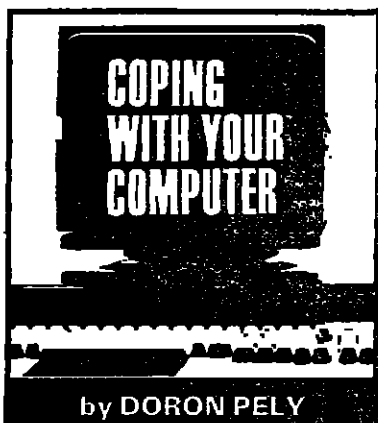
Early home computers used a device much like a cassette recorder to store programmes and data. This is a convenient and inexpensive storage method, but it is harrowing slow. If the data or the programme required happens to be at the end of the tape, or worse, if the data is dispersed all over the length of the tape, you're liable to spend a lot of time waiting for the machine to search for what

## Down memory lane: from cassettes to hard discs

you want at tortoise speed.

The next step in improving data storage and retrieval speeds was based on another existing instrument — the gramophone. A gramophone record allows you to drop the pickup arm on any track by sight, a useful time-saving faculty. Mating the magnetic tape and the gramophone resulted in the floppy disc.

Unlike a gramophone record, there are no real grooves on the flexible floppy disc, and the Read/Write pickup arm does not come in physical contact with the disc's magnetically coated surface. The data is recorded on concentric rings of the medium called tracks. Each track is divided into sectors that can be tre-



ated by the computer system as so many snippets of a magnetic tape.

For the home computer user, the development of floppy disc systems meant a quantum leap into the world of high speed, convenient, computing. The floppy disc, in its protective jacket, allowed storage of huge amounts of data on space-saving, transportable media. Today's floppy discs can store up to 200,000 words on a single surface just 5.25-inch in diameter.

But that is not enough. The progress made in computer technology, and the development of complex programmes, created a demand for a larger, faster storage medium at a reasonable price.

HARD DISCS generally follow the floppy disc technology with certain

marked differences. Instead of a flexible, jacketed disc, a hard disc unit contains a stack of rigid platters with a set of Read/Write heads interleaved between them. In order to protect the unit from the disastrous effects of dust and dirt particles (dirt stuck between the platter and the Read/Write head can grind the disc's surface, cause a loss of data and wreck the entire unit), the hard disc unit is ventilated and tightly packed.

Hard discs were originally built around 14-inch and later 8-inch platters, the same sizes as early floppy discs. As floppies shrank to 5.25 inches and smaller, hard disc units followed suit and are available today in 5.25-inch format. Smaller hard disc units are beginning to appear on

the market, mostly for portable computers.

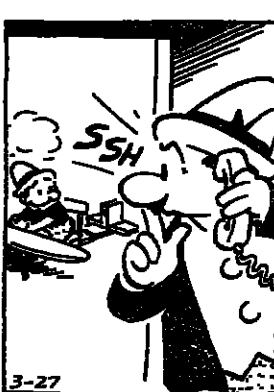
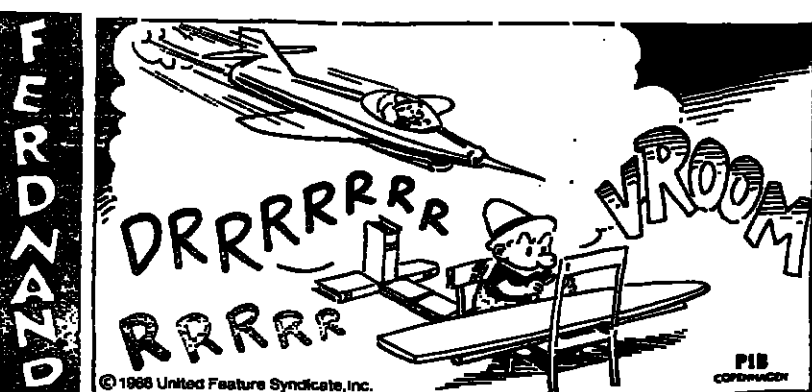
Most of today's home and business computers are equipped with the necessary wiring to operate a hard disc. Since a hard disc is not as transportable as floppy disc, it is convenient to use it in conjunction with a floppy disc. In this case, the floppy disc serves as a channel through which we feed programmes and data into the hard disc and pipe out data required elsewhere. The hard disc is purchased as a sealed unit, containing the stack of discs, electronics and attachments to the computer.

A 40 Megabytes hard disc unit can store data equivalent to the number

of words in 85 novels. That might seem like a bit of overkill for the average home computer user, but for organizations employing more than a single micro computer and using their computers for business applications, the hard disc provides a comfortable working environment.

For more modest needs, there are hard disc units that can store 10 and 20 Megabytes of data. If you have ever experienced the agony of changing floppy discs while trying to run a "heavy" application, you'll understand the convenience that a hard disc unit offers.

Prices of hard disc units vary from \$500 to \$5,000, depending on size and make. It is expected that prices will drop sharply in the next few years, making the hard disc a standard feature in home and business computers.



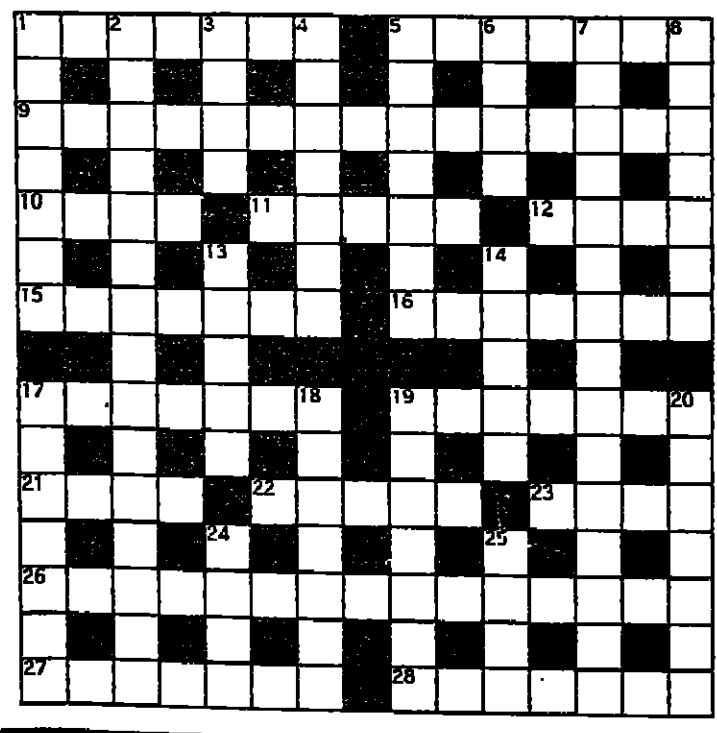
## ONE-ON-ONE CROSSWORD

ACROSS

- 1 A speckled deerstalker? (7)
- 5 Uncivil fellow who swears a lot or turns into a drunkard? (7)
- 9 The background one needs to finish up as a crack engine-driver? (4,5,6)
- 10 A pre-war railway charity (4)
- 11 Amin to return—the foul (5)
- 12 Second-class letter (4)
- 15 It gives the human race no latitude (7)
- 16 Fosters new areas for lumberjacks to work in (7)
- 17 Get into state of confusion (7)
- 19 The great allure of Hollywood (7)
- 21 Every sort of ache (4)
- 22 Idly involved with a woman (5)
- 23 A neat youngster (4)
- 26 Impractical builder? (7,2,6)
- 27 A love-match, apparently (2,5)
- 28 A representative figure (7)

DOWN

- 1 A cogent arrangement of a similar kind? (7)
- 2 What the Jumbo Jet has been in the annals of flying? (8,7)
- 3 Priceless art collection that aroused tremendous enthusiasm initially (4)
- 4 His besetting aim is to acquire a big store (7)
- 5 A burlesque prelude to flight? (4-5)
- 6 A cipher writer ready to do business (4)
- 7 The thoroughly competent bearing of the golf club's instructor? (12,3)
- 8 MPs who have represented the Soviet at sport? (7)
- 13 A paragon of virtue dismissed for drink! (5)
- 14 What frogs do when they come to the end of the road (5)
- 17 East German city doctor with a variety of needs (7)
- 18 A laurel on the shore of Biscay, maybe (3-4)
- 19 Coarse-haired terrier that makes us ring off (7)
- 20 No answer? (7)
- 24 A medicine-man with nothing but an old reading-desk (4)
- 25 Up-market transport run on rigid lines (4)



## GENUINE ASSISTANCE

### EMERGENCY PHARMACIES

Jerusalem: Kupat Holim Clalit, Roma, 523191; Balsam, Salah Eddin, 272315; Shu'afat, Shu'afat Road, 810108; Dar Aldawa, Herod's Gate, 282058.  
Tel Aviv: Brit, 28 King George, 283731; Sanitas, 83 Ben Gurion, 248003.  
Netanya: Hamagan, 13 Sderot Weizman, 22985.  
Haifa: Neve Shaanan, 37 Hachichon, 235530.

### DUTY HOSPITALS

Jerusalem: Bikur Holim (pediatrics, E.N.T.), Hadasah Ein Kerem (internal, surgery, orthopedics, ophthalmology) Migdal Adash (obstetrics).  
Tel Aviv: Rokah (pediatrics), Ichilov (internal, surgery).  
Netanya: Laniado

### POLICE 100

Dial 100 in most parts of the country. In Tel Aviv dial 924444, Kiryat Shmona 4444.

### FIRE 102

In emergencies dial 102. Otherwise, number of your local station is in the front of the phone directory.

### FIRST AID 101

In emergencies dial 101 in most parts of the country. In addition:

Ashdod 41333 Jerusalem 523133  
Ashkelon 23333 Kiryat Shmona 44344  
Bat Yam 551111 Kiryat Shmona 44344  
Beersheba 74767 Nahariya 523333  
Carmiel 988555 Netanya 23333  
Dan Region 781111 Petah Tikva 233111  
Eilat 7233 Rehovot 451333  
Hadera 22333 Rishon LeZion 942333  
Haifa 512233 Safed 30333  
Hatzor 36333 Tel Aviv 240111  
Holon 803133 Tiberias 90111  
Mobile Intensive Care Unit (MICU) service in the area, around the clock.

"Eran" — Emotional First Aid, Tel: Jerusalem 227171, Tel Aviv 2611112, Haifa 672222, Beersheba 418111, Netanya 35316.

Rape Crisis Centre (24 hours), for help call Tel Aviv 234819, Jerusalem — 249554, and Haifa 382511.

Jerusalem Institute for Drug Problems, Tel. 563628, 663502, 14 Bethlehem Rd.

The National Poison Control Centre at Rambam Hospital, phone (04) 529205, for emergency calls, 24 hours a day, for information in case of poisoning.

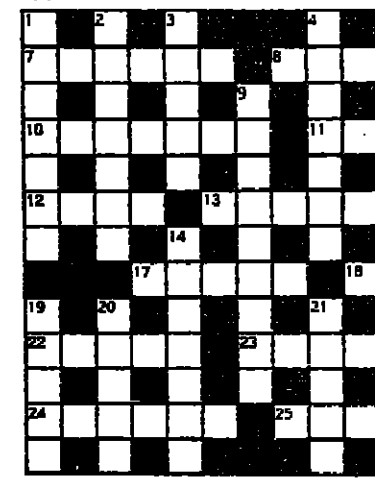
Kupat Holim Information Centre Tel. 03-433300, 433500 Sunday-Thursday, 8 a.m. to 8 p.m. Friday 8 a.m. to 3 p.m.

### FLIGHTS

24-Hours Flight Information Service: Call 03-3712484 (multi-line). Arrivals Only (Taped Message) 03-381111 (20 lines)

### QUICK CROSSWORD

8 Excludes 10 Awakening 11 Fruit 12 Overdue



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**Notice to Electricity Consumers**

Because of staff holidays at Succot, there will be no reception hours at the Corporation's offices until Friday, October 24 (inclusive).

The staff involved in ensuring a reliable current supply and in dealing with breakdowns will be working as usual.

Consumers who must pay bills in that period (not at a bank) will be able to do so at the Corporation's offices until Thursday, October 23 (inclusive).

No orders will be accepted during this vacation period for connection to the current supply.

We ask consumers to make sure that they pay their bills on time.

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## MARKET PLACE

PINHAS LANDAU

## Does this sound familiar?

The issue of executive pay is rapidly becoming a *cause célèbre* and, as we have noted, is likely to stay with us for some time, in one form or another. To give a different perspective on the whole mess, it might be of interest to note a case of remarkable similarity, namely that of the U.S. automobile industry. This time, however, instead of looking at the ubiquitous Lee Iacocca, first of Ford and then of Chrysler, let's turn the spotlight onto his successor at Ford, Philip Caldwell.

By way of background, it may be noted that Ford, less dramatically than Chrysler, but in line with the U.S. auto industry as a whole, made a remarkable turnaround after the 1981-82 recession and has been clocking up enormous profits in the last few years. In terms of the comparison with the Israeli banking industry, therefore, the shift from huge losses to tremendous profits has been more complete and the scale of government regulation of the industry considerably less. With these provisos in mind, the following quotes speak for themselves.

They are taken from a recent book, one of a spate on the industry and its management, called *The Reckoning*, by David Halberstam. It is rather large (700 pages plus) and somewhat unwieldy, as is indicated by the fact that these excerpts are from Chapter 44 — entitled "Booms Time Again." Caldwell, in the wake of improved customer response to Ford's efforts to improve quality, "came to believe that he had rescued the Ford Motor Company."

"That belief became evident after 1983, a year when Ford and GM made mild recoveries. Both companies rewarded their top executives handsomely, but Caldwell benefited most. In addition to his regular salary of \$520,000, he received a hefty bonus of \$900,000 and, even more startling, took some \$5.9 million in delayed stock options, for a total package of \$7.3m. No one disputed that the stock options were rightfully his or that he and other executives had gone without bonuses for several years, but the timing could not have been worse. Auto executives at Ford and GM became targets for a firestorm of criticism. Many Americans believed that for an unstable industry, that had asked for and received protection (and that had raised the price of cars), such behavior was obscene. Some who had bought American cars partly out of patriotism, by no means sure they were as good as Japanese models, felt duped. Some economists and politicians called it an egregious mistake. They were certain that the American auto industry could become competitive with Japan only if its wages came down. An industry that awarded such large sums to its senior executives lacked the moral right to ask anyone else — the United Auto Workers, for instance — for long-term sacrifice, it was said."

"It astonished observers that so little thought had been given to the public reaction to these decisions. No one had tried to talk Caldwell out of collecting his stock options. Walter Hayes, Ford's chief of public relations, had written Caldwell a memo beforehand suggesting there might be a problem, but had by no means anticipated the virulence of the public's response. His memo was at best a light warning. Caldwell, however, far from regretting his actions, was enraged at the criticism he received. In his mind he had earned every cent. Angry at the media, he called a press conference to vindicate himself. It was not a success. Unlike Henry Ford and Lee Iacocca, Caldwell was not a figure of great personal magnetism, and the sight of him saying he deserved the money, when he did not look as if he did, was not the pinnacle of corporate public relations."

There is more, but that will do to make a few points. (Caldwell left Ford not long after.) So much for unfettered capitalism in the U.S. So much for Israeli accountability and the reporting of issues of importance to the company — or rather, the non-existence of these issues. Finally, it may be seen that, so far from being the workers or the press that brought about the exposure of these payments, it was the sheer greed of the executives themselves. Murder will out, they say, and so will daylight robbery.

## Oil accord eludes Opec for 14th day

GENEVA (Reuters). — Opec ministers ended their 14th day of meetings in a gloom mood, as their marathon meeting failed again to produce the oil-output quotas needed to achieve its goal of driving up prices. The cartel's oil ministers said they would meet again today.

Belkacem Nabi, Algeria's minister, told reporters that after 14 days of talks "We haven't found a solution yet" and spoke of problems over setting production quotas for when the present output restraint agreement expires on October 31.

Asked how soon an agreement could be clinched, Saudi minister Ahmed Zaki Yamani said: "I wish you could tell."

A plenary session scheduled by the Organization of Petroleum Exporting Countries for yesterday evening was postponed until this morning, Opec officials said.

Iranian minister Gholamreza Agazadeh said earlier that the chief obstacle was a demand by Kuwait, with which Saudi Arabia has sympathy, for a 10 per cent rise in its output quota. But delegates said several other less wealthy states were also asking for higher quotas now.

Failure to strike a bargain here

would send prices down from around the current \$14 a barrel, oil traders say. Opec wants to drive them up to between \$17 and \$19.

In the prevailing glut, it does not dare raise its present ceiling on total output higher than 17 million barrels a day from 16.8 million now to accommodate the rival demands to sell more oil.

Delegates expressed optimism that agreement to limit production and raise prices could eventually be achieved. The conference has been in session since October 6, a record.

But they were worried that demands for higher quotas by some states could have a bandwagon effect, wrecking chances of accord and leading to uncontrolled output, which would send oil prices crashing.

Other delegates said Ecuador, Gabon, Nigeria, Qatar and possibly Venezuela were also seeking to be allotted a little more output from the extra 200,000 barrels per day which it is proposed to add to the Opec ceiling.

Yamani in an interview with the *Al-Watan* newspaper published yesterday said that if Opec failed to reach an agreement to limit its output, prices — instead of being driven to Opec's goal of around \$19 by January — would simply crash.

## CURRENCY MARKETS

## Quiet week for dollar suggests volatility ahead

The U.S. dollar ended the week lower against major currencies, but little changed against the pound sterling. The Deutschmark rose 1.4 per cent, the Swiss franc, 1.2 per cent, and the yen 0.5 per cent. Last week was characterized by this trading stalemate by several factors none of which was decisive to provide currencies with any direction.

The pound remained weak following a speech by the chancellor of the exchequer, explaining the decision to raise British rates. But this rise did not seem sufficient to persuade market operators to buy the pound. He also made no reference to any plans for Britain to join the European Monetary System. Inconclusive Opec talks in Geneva and the fall of oil prices also hurt the pound. The European central banks again demonstrated their willingness to intervene in the markets, with officially coordinated efforts to purchase about \$300 million. But a director of the Bundesbank admitted that central-bank intervention would not turn the tide for the retreating dollar. He added that this intervention was not aimed at defining any specific target for the dollar.

Interest rates over the week continued their modest rise. U.S. Federal Reserve Board Governor Heller suggested that a quick cut in the discount rate is unlikely because the economy is in progress. U.S. retail sales rose 4.6 per cent, but without the large retail car sales the rise was only 0.1 per cent. Again U.S. producer prices in September rose by 0.4 per cent.

The slowdown in the general volatile movement of the exchange rates suggests that the next move will be substantial. The major trend is still in favour of the major currencies, but technical indicators suggest that it is slowing down. Some analysts believe that a retreat in the value of the mark to the level of \$2.18 to the dollar is possible before the next drop in the value of the U.S. currency to new lows. It is advisable to watch the markets and take action only when the trend is clearer. If the dollar is to drop further this would be signalled by the yen closing below the 153 level.

## Number of days lost to strikes declines sharply

The number of workdays lost to strikes fell 46 per cent last year from 1984 to 540,228, the Ministry of Labour and Social Welfare reported this week. It said the number of work actions had dropped the most sharply since the introduction of the government's economic stabilization programme in July 1985.

The number of full strikes came to 131 last year, with 473,956 workers involved, while the number of partial strikes was 64, involving 156,209 workers.

## Saudis spent \$682m. on industry in year

RIYADH (Reuters). — Saudi Arabia spent \$682 million on industrial projects during the Islamic year which ended in September, the Ministry of Industry and Electricity reported Saturday.

Industry now constitutes 8.3 per cent of the country's gross national product and is expected to make up 15 per cent of GNP by the end of the 1985-90 development plan.



Members of Bank Leumi working committees gather outside the bank's main branch yesterday after they had forced their way into the fourth-floor offices of top management. The action came as wage talks reached a deadlock and reports surfaced of excessively high wages for top bank executives. (Studio 23)

## Migdal Haemek plant threatened with closure

By DAVID RUDGE

Jerusalem Post Reporter

MIGDAL HAEMEK. — Solei Boneh's loss-ridden tile-manufacturing plant here is in danger of being closed and the entire work-force laid off.

The financially troubled construction company said the proposed closure is part of its recovery programme. It maintained that the plant, which also manufactures concrete pipes for the building industry, had been losing money for many years and could not be run profitably.

The local labour council is opposing the planned shut-down and is threatening to institute industrial action unless Solei Boneh rescinds its decision.

Council spokesman Moshe Malah said the work-force had already been cut from 60 to 23 in the past 18 months. The dismissals had been agreed on condition that the factory,

known as Hemar, would remain open.

Malah stressed that unemployment in this development town was already high and further dismissals would only make the situation worse.

For a minimal investment Solei Boneh could change the production line to manufacture the kind of elegant floor tiles that are in demand today and thereby ensure the future of this plant," said Malah.

"The question we are asking is why here, in a development town where people need the work, and not somewhere else," he said.

Labour council officials and representatives of the works committee are to meet Solei Boneh management after the Succot holiday to demand that the plant remains open.

Malah warned that if the negotiations fail the construction firm would "have a fight on its hands."

## Tel Aviv Stock Exchange

## MARKET STATISTICS

## Indices:

|                     |              |
|---------------------|--------------|
| General Share Index | 118.11+0.36% |
| Non-Bank Index      | 156.18+1.58% |
| Arrangement         | 103.47-0.32% |
| Insurance           | 173.58+1.99% |
| Commerce, Services  | 198.39+2.39% |
| Real Estate         | 250.12+0.33% |
| Industrial          | 138.94+1.15% |
| Textiles            | 195.72+1.48% |
| Metals              | 141.35+1.09% |
| Electronics         | 127.75+1.42% |
| Chemicals           | 136.13-0.58% |
| Industrial Invest.  | 139.83+3.43% |
| Investment Cos.     | 155.31+1.80% |
| General Bond Index  | 112.37+0.28% |
| Index-linked Bonds  | 110.22+0.33% |
| Fully-linked        | 116.28+0.31% |
| Partially-linked    | 113.17+0.36% |
| Dollar-linked Bonds | 93.58+0.15%  |
| Short-term 0-2 yrs  | 110.84+0.24% |
| Medium-term 2-5 yrs | 111.11+0.29% |
| Long-term 5+ yrs    | 106.86+0.31% |

## Turnovers:

|                |                |
|----------------|----------------|
| Shares — total | NIS 13,781,200 |
| Arrangement    | NIS 2,655,500  |
| Non-bank       | NIS 11,125,700 |
| Bonds — total  | NIS 3,715,100  |
| Index-linked   | NIS 2,362,100  |
| Dollar-linked  | NIS 200,120    |
| Treasury Bills | NIS 1,556,600  |
| Advances       | 238 (143)      |
| of which 5% +  | 53 (20)        |
| "buyers only"  | 10 (5)         |
| Declines       | 70 (106)       |
| of which 5% +  | 14 (11)        |
| "sellers only" | 0 (2)          |
| Unchanged      | 68 (124)       |
| Trading Halt   | 38 (41)        |

|                    |                |
|--------------------|----------------|
| 4.25% fully-linked | Slightly mixed |
| 30% Double-linked  | Rises slightly |
| Dollar-linked:     | Rises slightly |
| Admon              | Rises slightly |
| Rimon              | Rises slightly |
| Gilboa             | Rises to 0.5%  |
| For. Curr.         | Mixed to 1%    |
| denominated        | 18.45-20.40%   |
| Treasury Bills     |                |
| (annual yield)     |                |

## Arrangement yields:

|                 |        |
|-----------------|--------|
| IDB ord.        | 16.39% |
| Union 0.1       | 16.48% |
| Discount A      | 16.48% |
| Mizrahi Invest. | 16.54% |
| Hapoalim r.     | 16.47% |
| General A       | 16.56% |
| Leumi stock     | 16.48% |
| Fin. Trade 1    | 16.36% |

## Bond Market Trends:

|                 |             |
|-----------------|-------------|
| Index-linked:   | Rises to 1% |
| 3% fully-linked |             |

## SELECTED PRICE QUOTATIONS

| Name   | Price      | Volume | %     | Change |
|--|------------|--------|-------|--------|
| <b>Trade &amp; Services</b>                  |            |        |       |        |
| Main Super 2                                 | 8079       | 601    | -5.5  |        |
| Delek r                                      | 6010       | 808    | +1.3  |        |
| Lighterage                                   | 3450       | 2026   | +0.9  |        |
| Cold Storage                                 | 15740      | 34     | +5.4  |        |
| Yarden Hotel                                 | 2428       | 581    | +8.0  |        |
| Hilton 1                                     | 1789       | 747    | +4.0  |        |
| Team 1                                       | 3110       | 131    | +3.1  |        |
|  | 23760      | 199    | +10.0 |        |
|  | 1701       | 886    | +0.1  |        |
| <b>Real Estate, Building and Agriculture</b> |            |        |       |        |
| Azovim                                       | 819        | 14589  | +5.1  |        |
| Elion  | no trading |        |       |        |
| Africa Isr. 0.1                              | 37930      | 282    | +1.1  |        |
| Dankner                                      | 5010       | 280    | +3.1  |        |
| Prop. & Bldg.                                | 2905       | 4848   | +2.0  |        |
| Bay Side 0.1                                 | 4150       | 530    | +1.0  |        |
| ESL 1  | 56200      | 301    | +1.0  |        |
| Rasco r                                      | no trading |        |       |        |
| Mehadrin                                     | 7920       | 258    | +2.9  |        |
| Hedatim                                      | 1318       | 226    | +1.4  |        |
| <b>Industrials</b>                           |            |        |       |        |
| Dubek b                                      | 3305       | 810    | +0.9  |        |
| Pr-Ze 1                                      | 1970       | 3919   | +10.0 |        |
| Sunroter                                     | 9800       | 122    | -     |        |
| Elitex                                       | 18350      | 357    | -     |        |
| Adgar  | 476        | 11048  | +0.2  |        |
| Argaman r                                    | 13190      | 30     | +1.2  |        |
| Delta G 1                                    | 2750       | 1865   | -     |        |
| Maquette 1                                   | 3855       | 809    | +0.8  |        |
| ESL 1  | 14520      | 384    | +10.0 |        |
| Poigat                                       | 3675       | 594    | +0.7  |        |
| Schoellerfrin                                | 14340      | 137    | -0.8  |        |
| Rogoshin                                     | 3737       | 926    | +8.0  |        |
| Union 0.1 r                                  | 7550       | 318    | +0.8  |        |
| Is. Co. Can. 1                               | 2401       | 3973   | +2.6  |        |
| Zion Cables                                  | 2150       | 1180   | -     |        |
| Pecker Steel                                 | 11700      | 172    | -     |        |
| <b>Commercial Banks</b>                      |            |        |       |        |
| (not part of "arrangement")                  |            |        |       |        |
| Maritime                                     | 1150       | 2110   | +4.4  |        |
| General non-arr.                             | 21100      | 21     | -1.9  |        |
| First Int'l                                  | 3800       | 3163   | +2.0  |        |
| FIBI   | 4310       | 4731   | +2.9  |        |
| <b>Commercial Banks</b>                      |            |        |       |        |
| (part of "arrangement")                      |            |        |       |        |
| IDB r  | 78950      | 642    | -0.5  |        |
| Union 0.1                                    | 58650      | 120    | -     |        |
| Discount                                     | 100500     | 195    | -0.4  |        |
| Mizrahi                                      | 32400      | 628    | -0.7  |        |
| Hapoalim r                                   | 53550      | 990    | -0.5  |        |
| General A                                    | 136600     | 8      | -     |        |
| Leumi 0.1                                    | 34035      | 2884   | -     |        |
| Fin. Trade                                   | 45230      | 1      | -1.0  |        |
| <b>Mortgage Banks</b>                        |            |        |       |        |
| Leumi Mort. r                                | 5222       | 571    | +2.0  |        |
| Dev. Mort.                                   | 2180       | 2323   | -     |        |
| Mishkan r                                    | 225        | 30     | +2.6  |        |
| Telshor                                      | 1217       | 111    | +4.8  |        |
| Marav r                                      | 5250       | 70     | +2.3  |        |
| <b>Financial Institutions</b>                |            |        |       |        |
| AgriCo                                       | no trading |        |       |        |
| Ind. Dev. DD                                 | no trading |        |       |        |
| Cla Leasing 0.1                              | 17600      | 28     | +7.3  |        |
| <b>Insurance</b>                             |            |        |       |        |
| Ararat 0.1 r                                 | 1045       | 879    | +2.3  |        |
| Hassafit                                     | 303        | 92288  | +10.2 |        |
| Phoenix 0.1                                  | 825        | 3018   | +8.2  |        |
| Hamishmar                                    | 7100       | 23     | -1.4  |        |
| Menorah 1                                    | 2100       | 101    | -2.8  |        |
| Sahar 1                                      | 5850       | 34     | +3.5  |        |
| Zion Hold. 1                                 | 8570       | 34     | -10.0 |        |
| <b>Trade &amp; Services</b>                  |            |        |       |        |
| Elbit  | 370000     | 12     | +0.5  |        |
| Elron  | 264000     | 36     | -     |        |
| Avri   | 26850      | 115    | +1.7  |        |
| Cla Electronics                              | 2000       | 2762   | +3.7  |        |
| Spectronix 1                                 | 1942       | 1007   | +1.9  |        |
| T.A.T. 1                                     | 3301       | 70     | +0.0  |        |
| Ackerstein 1                                 | 867        | 101    | +5.0  |        |
| Agan 5                                       | 17800      | 350    | -3.8  |        |
| Alliance                                     | 2500       | 574    | -0.2  |        |
| Dexter                                       | 3681       | 532    | +10.0 |        |
| Fertilisers                                  | 5250       | 134    | -     |        |
| Haifa Chem.                                  | 440        | 90545  | -11.5 |        |
| Teve r                                       | 8970       | 2778   | +2.5  |        |
| Dead Sea r                                   | 4570       | 5682   | -1.6  |        |
| Petrochem.                                   | 560        | 8047   | -     |        |
| Neca Chem.                                   | 4797       | 6.0    | +5.0  |        |
| Frutaron                                     | 12800      | 124    | -4.5  |        |
| Hadera Paper                                 | 241500     | 122    | +1.9  |        |
| Central Trade                                | 8470       | 185    | +1.3  |        |
| Koor p                                       | 539000     | 0      | +2.0  |        |
| Cla Inds.                                    | 1495       | 21156  | +5.7  |        |
| <b>Investment Companies</b>                  |            |        |       |        |
| IDB Dev. r                                   | 4400       | 3405   | +1.4  |        |
| Elron  | 3570       | 2097   | +0.6  |        |
| Afik 1                                       | 245        | 3738   | -1.6  |        |
| Gahelet                                      | 1330       | 305    | -6.0  |        |
| Israel Corp. 1                               | 8200       | 353    | +0.2  |        |
| Wolfson 1 r                                  | 115100     | -      | -     |        |
| Hapoalim Inv.                                | 6091       | 1067   | +1.5  |        |
| Leumi Invest.                                | no trading |        |       |        |
| Discount Invest.                             | 2550       | 9599   | +3.4  |        |
| Mizrahi Invest.                              | 15000      | 78     | -     |        |
| Cla 10                                       | 928        | 517    | +2.0  |        |
| Landeco 0.1                                  | 5410       | 105    | -1.6  |        |
| Parma 0.1                                    | 8990       | 17     | -0.1  |        |
| <b>Oil Exploration</b>                       |            |        |       |        |
| Paz Oil Expl.                                | 15550      | 14     | +6.0  |        |
| J.O.E.L.                                     | 3152       | 231    | +1.5  |        |
| <b>Abbreviations:</b>                        |            |        |       |        |
| b.s. = buyers only b = bearer r = registered |            |        |       |        |

## 'Cotton growers will lose 22¢ a pound'

By YITZHAK OKED

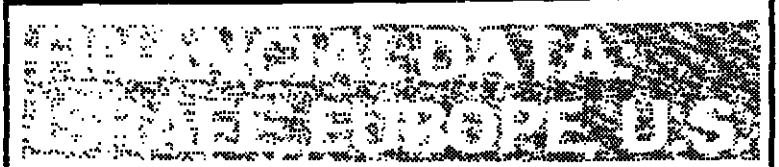
Jerusalem Post Reporter

TEL AVIV. — Cotton farmers will lose about 22 cents a pound on their cotton in this year's harvest, which is expected to total \$35 million, the Cotton Production and Marketing Board said. The estimate was made during a recent tour of cotton fields by Finance Minister Moshe Nissim and Agriculture Ministry officials.

The farmers are demanding government aid, claiming that the losses

are due to low prices of cotton in the world markets and not to local conditions.

Yosef Dloomy, managing director of the Cotton Production and Marketing Board, told officials that the low world prices were part of a cyclical phenomenon and would eventually pick up again. He added that Israel could not afford to abandon the market because that would mean giving up an \$800m. investment in infrastructure.



## ISRAELI MONEY MARKETS

SHEKEL INTEREST RATES  
PRIME BORROWING RATE: 1.25% per month  
Unlinked Deposit (Annual Rates)

|             | Last Updated | Tapas    | Pakam 7-Day | Pakam 30-Day |
|-------------|--------------|----------|-------------|--------------|
| LEUMI       | 17.10        | 7-16.50% | 8-17.00%    | 8-19.50%     |
| HAPALIM     | 25.9         | 8-15%    | 10-15.75%   | 12-14.50%    |
| DISCOUNT    | 21.9         | 8-17%    | 8-17%       | 8-17.50%     |
| MIZRAHI     | 8.5          | 8-16%    | 8-15%       | 8-15%        |
| FIRST INT'L | 17.10        | 10-17%   | 11-17.20%   | 13-19.50%    |

Rates vary according to size of deposit.  
(Tapas: demand deposit paying daily interest.  
Pakam: fixed-term deposit available from 7 to 59 days.)

## PATAH — FOREIGN CURRENCY DEPOSIT RATES (October 17)



